Most organizations realize that they must change to adapt to shifting market conditions and customer demands. However, stories of successful change efforts are rare. In fact, research has shown that 70% of change initiatives fail to fully meet their objectives.

We have found that there are ten factors that determine the success or failure of any organizational change. In this series, we will examine each of these factors.

01 Winning Strategy

Organizations that are most effective at driving change have a very clear and meaningful strategy (or end in mind). Their strategy is grounded in a customer orientation, articulates where and how they will win, and has a clear sense of who they serve and what they solve. These organizations play to their strengths and celebrate outcomes against their goals. While this seems intuitive, why is a winning strategy critical for successful change?

First, a well-articulated, winning strategy is a strong rallying cry for the organization. Your employees understand what you are trying to achieve *and* how this will benefit them, your customers and all your other stakeholders.

Second, the clarity of knowing where and how you will win helps the organization make more effective tradeoffs regarding investments of time and money. Effective change requires changing daily decision making throughout the organization (what to do more of and what to stop doing). Without a winning strategy, it is difficult to break old habits of behavior.

Third, these organizations develop their strategies to play to their capabilities and strengths. Building upon existing strengths creates confidence within the organization about the additional changes necessary to fully execute the defined strategy.

Finally, a winning strategy is specific enough that the organization can measure progress against the desired outcomes and celebrate progress towards those goals. Strategies by their nature are future oriented, dynamic and have a multi-year life. They contemplate a journey and learning as you go and require keeping the organization motivated by both progress and additional work to be done.

At the opposite end of the spectrum are organizations that lack a winning strategy. They may be unclear about their strategy or simply have adopted a strategy that isn't sufficiently unique from that of their competitors. These organizations have a difficult time articulating what they won't do, so

every opportunity feels equally compelling. These organizations struggle with staying sufficiently focused to effectively change daily decision making. They overestimate their strengths, so success (or progress) is difficult to achieve. Or their lack of organizational confidence may simply make the organization so risk averse that it misses opportunities to win.

Where is your organization on this spectrum? If you don't feel that you have a winning strategy, spending additional time to refine your strategy will be a worthwhile investment of time before attempting to make other changes. Specifically:

- Be clear about your target customer and the need you solve for them. What do you aspire to do better than anyone else?
- Line up the strategy with your strengths. Do they match?
- Explore how to articulate what makes this strategy different from your competitors in head-to-head situations. Why will you win more often than the other guy when serving your target customer?
- If you believe your strategy is directionally correct, start telling the story. How can you make it more exciting and engaging?

02 Compelling Case for Change

Organizations that are most effective at driving change recognize the importance of creating a compelling and urgent case for change. They are crystal clear on why and how they must evolve. So, what makes for a truly compelling case for change?

First, organizational behavior change must create an awareness of the need for change. Why won't business as usual be sufficient in the future? A clear case for change helps articulate the benefits to all your stakeholders for making the desired change – while also making clear the consequences of a failure to change.

Second, be clear about what must change. Breaking old habits of behavior requires clarity of what you want done instead. In the early stages of change, you may need to be more prescriptive about the change criteria. Over time, as new behaviors are adopted, you may provide greater leeway to evolve and adapt.

Third, convey a sense of urgency. What needs to change first? Why can't this wait? Without this sense of urgency, you may have agreement about direction but find that progress is agonizingly slow, as change initiatives will be continuously deferred for what are perceived as more immediate problems.

Finally, a compelling case for change is dynamic. It is updated to reflect changing market conditions and competitor actions. While the direction should remain relatively constant, evolving the priorities

and timing to reflect marketplace realities strengthens your case.

At the opposite end of the spectrum are organizations that lack a compelling case for change. They may be unclear about the change required, why it is necessary, or both. They fail to translate the case for change to articulate the benefits to all their stakeholders. These organizations lack a sense of urgency and find themselves constantly diverted by the problem "du jour." Or they allow their case for change to become stale and not reflective of marketplace realities.

Where is your organization on this spectrum? If you don't feel that you have a compelling case for change, spend additional time to refine your case before attempting to make other changes. Specifically:

- Be clear about your why this change is necessary.
- Articulate how this change benefits your customers, employees, shareholders and other stakeholders.
- Be clear about what needs to be different – be as specific as possible.
- Create a timeline. What needs to change first and by when?
- If you believe your case is directionally correct, start drafting the story and sharing it with others within the organization. Remember that you will need to repeat the story multiple times for it be fully understood.

03 Specific Change Criteria

It is one thing to want change. It is another to be sufficiently clear about the specifics of the change to help the entire organization understand what is required. Organizations that are most effective at driving change recognize the importance of creating specific change criteria.

Building upon the case for change, specific change criteria help build awareness within the organization of the NEED for change – not to simply inform the organization that a change is happening. Good change criteria help create an understanding of what will be different in the future. They clearly outline what behaviors are expected and how success will be judged. In many cases, the change criteria will also outline new organizational values and revised decision-making processes. Really good change criteria help you screen out what not to do or stop doing as well as screen in the clear things that must happen.

At the opposite end of the spectrum are organizations that lack specific change criteria. For these organizations, the rules and change requirements constantly shift. Change expectations are often unclear, and there is little follow-through or documentation of adherence. Without clear change criteria, you can rationalize anything which will, in the end, destroy even the best strategic concepts.

These organizations fall victim to the old proverb, "If you don't know where you are going, any road will get you there."

Where is your organization on this spectrum? If you don't feel that you have developed sufficiently specific change criteria, address the following questions:

- Review your mission, vision and values. Are they consistent with the change you desire – or do they need to be revised?
- Do you have alignment between who you serve, what you solve, and how you will operate – or do any of these need to be revised?
- Can you articulate how behaviors need to change? Do you have a process to evaluate adoption of these behaviors?
- Does your goal setting align with the change and how you measure individual and organizational performance?
- Do you understand how your decision-making process needs to evolve to support the change you desire?

04 Clear Performance Focus

Organizations that are most effective at driving change recognize the importance of creating a clear performance focus. This seems like something every organization should want, so what makes some organizations so much better at creating this focus?

First, effective organizations create focus around a limited number of clear and measurable objectives – ideally grounded in what is required to win from a customer point of view. They ensure that those objectives include a mix of both leading and lagging indicators. If necessary, they will develop new measurement systems to support the change initiative.

Second, these organizations drive "buy-in" throughout the organization. They help their employees understand what is required from them to help drive the change and "what is in it" for them. They gain a commitment from each employee for a few activities that link back to the desired change objectives. Employees are crystal clear about how they will be evaluated.

Third, these organizations are disciplined about measuring both activities and objective outcomes on a frequent basis. They incorporate those measurements into dashboards that allow the organizations to easily assess whether they are making adequate progress or falling behind.

Finally, effective organizations hold themselves accountable. They don't make excuses or change the measurement system to fit their desires. They "own" the results – and act on them. Leaders within

these organizations ensure that there is alignment in how they evaluate the organizational, individual (and their own) performance against these objectives.

At the opposite end of the spectrum are organizations that lack a clear performance focus. They may fail to establish clear objectives tied to change they are attempting to make, or they establish so many objectives that the organization lacks focus. They allow circumstances to shift their focus throughout the year away from what they had declared as their important objectives. They may lack the measurement systems to effectively assess progress or performance – so that any outcome becomes acceptable. They fail to create clear linkages between the desired outcomes and "what's in it for me" for their employees. Finally, they forgive failures and slippage and fail to hold themselves (and everyone else in the organization) accountable for outcomes on these critical objectives.

Where is your organization on this spectrum? If you don't feel that you have a clear performance focus to support the change you desire, spending additional time here will be a worthwhile investment before moving forward. Specifically:

- Define what success is from your target customer's point of view, not your internal standards. Think "outside-in" vs. "inside-out."
- Create clarity about a key few objectives. What is your "wildly important goal"?
- Recruit commitment from across the organization. Ask each employee what they can commit to doing to help achieve the goals.
- Ensure clarity about your measurement system. Create a dashboard to provide a concise view of progress.
- Create a timeline. What needs to change first and by when?
- Be explicit about how you will reward success and punish failure to perform. Develop methods to evolve your criteria as you learn from the experience.
- Ensure alignment between your goals and your performance evaluation system. Modify your performance management system as appropriate.
- As leaders, model how to demonstrate accountability – both for your own commitments and the broader results.

05 Balanced Decision-Driven and Behavior-Dependent Change

Organizations that are most effective at driving change recognize the importance of creating an appropriate balance of decision-driven and behavior-dependent change. While decisions can be difficult, they are easy to make compared to changing behavior. For most, this factor means creating a **balance** by paying more attention to the behavior-dependent elements of change rather than simply the decision-driven change activities. Overdependence on either will weigh down and slow change effectiveness.

Change is hard, but sustaining change is even more difficult. To accomplish this, effective organizations pay attention to the necessary behavior changes required to both adopt and sustain the change. They ensure that their staff have the appropriate motivation, ability and triggers to support the behavior change.

Effective organizations also understand that behavior change takes time. They build their change agenda with this in mind. They leave sufficient time between activities to support and reinforce the behavior change before moving on to the next set of initiatives. They are also mindful of how to bundle change activities to be most impactful.

Finally, leaders understand that important behavior change requires hard work to imbed this across the organization. They don't rely on the heroics of a few as an alternative. They are also willing to make hard choices about individuals who ultimately can't get on board.

At the opposite end of the spectrum are organizations that lack a balance between decision-driven and behavior-dependent change. They often confuse decisions for action and underestimate the behavior change required for each decision. They make lots of decisions but don't fully support the behavior changes required to capitalize on them. They layer on additional activities without a sufficient focus on sustainable change. These organizations often rely on the extra effort of a few overachievers to get a temporary win but haven't built a solid foundation for change. Some are so focused on getting everyone on the bus that they never achieve any meaningful results.

Where is your organization on this spectrum? If you don't feel that you have an appropriate balance of decision-driven and behavior-dependent change, consider the following:

- Make a list of key decisions you have made in the past 12 months. Assess how many were successfully implemented and how many had the right behavior change to support the decision. If you find that key decisions are stalled or not delivering what you expected, are you willing to try a different, more balanced approach?
- Do you understand what additional actions are needed to provide the motivation, ability and triggers to support the change?
- Have you devoted sufficient energy and resources to demonstrate your commitment to required behavior change?
- Does your timeline consider behavioral change aspects?
- Are you taking appropriate actions to correct or eliminate unacceptable behaviors?

06 Appropriate Skills and Resources

Organizations that are most effective at driving change have a very clear and realistic understanding of the skills and resources required to make the change. While this seems intuitive, what do these organizations do differently than most?

First, their resource allocation process is closely aligned with their change initiative. Resource allocation is one of the most crucial signals to your organization about what is important. Saying that a

change initiative is important – while devoting your resources elsewhere – will quickly cause the initiative (and its leaders) to lose credibility.

Second, these organizations have a clear understanding of the new skills and capabilities that the change demands. They thoughtfully consider where they have skill gaps – and the magnitude of those gaps. They understand that the organization wins when its people are playing to their strengths, so they put people in a position where they can succeed – not in a situation where they are not adequately prepared and the risk of failure is high. As part of this, these organizations also understand differing types of leadership that may be required as part of the desired organizational change.

Third, these organizations have rigorous talent development and deployment programs. Where skill gaps may be small, they invest in training and development for their staff. Where gaps may be larger, they search broadly within their organizations for talent to be redeployed to critical change initiatives. And when they feel they simply lack skills and capabilities, they actively recruit new talent and work hard to integrate those individuals into their organization.

At the opposite end of the spectrum are organizations that lack a clear understanding of the appropriate skills and resources needed as well as the commitment to obtaining them. They routinely launch efforts or projects that are under-resourced. They expect staff to "fit in" the change effort on top of their "regular duties." These organizations either fail to recognize the new skills required or won't make the effort to attract appropriate talent.

Where is your organization on this spectrum? If you don't feel that you have a clear commitment to the appropriate skills and resources, spending additional time to refine your requirements will be a worthwhile investment before attempting to make other changes. Specifically:

- Are you clear about what resources are required for the change vs. those that are simply nice to have?
- Can you articulate the skills and capabilities required? Have you assessed your current staff to determine the magnitude of the gap?
- Have you considered how best to address the skills and capabilities gap? Is there talent elsewhere within the organization that could be assigned to this initiative? Do you have time to build skills with existing personnel – or will you need to infuse the team with new talent?
- How will you support and retain new talent that may be threatening to the existing culture?

07 Structure and Systems Requirements

Organizations that are most effective at driving change understand that existing systems and processes were developed to support the existing business. When trying to make a significant change, they recognize that many underlying systems and structures also need to change. They organize their resources for maximum impact and put the right structure and systems (decision rights, processes, technology) in place for success. How are organizations approaching structure and systems requirements for successful change?

First, these organizations use structure to achieve the maximum impact from any changes. They don't spread the peanut butter evenly across the organization – but rather focus the change resources on select markets or customers. They are willing to pilot and experiment to learn what is most effective. In some cases, this means adopting more of a "skunk-works" approach – delaying broad deployment until they have thoroughly tested and refined the approach.

Second, these organizations think about systems in a holistic fashion (e.g., not just IT systems). Changes may be required in everything from compensation systems to prioritization processes to decision rights. While the number of changes may be broad, the focused nature of the testing outlined above allows the organization to try alternatives that are not "ready for prime time." They wait to automate these systems until they have refined the approach, but once proven, they work quickly to fully implement the approach.

At the opposite end of the spectrum are organizations that lack a clear understanding of and commitment to the structure and systems requirements. They routinely launch efforts or projects that are under-resourced, and it often feels like this is just additional work "in your spare time." These organizations are reluctant to undertake appropriate supporting systems and process changes or feel constrained by existing capabilities. They often think of systems as only IT and use technology barriers ("We can't," "We don't have the IT resources," "We need to wait until this other project is completed," "We can't afford it") as roadblocks. They want a different outcome – but keep doing the same things. Or, they believe that organizational restructuring is the solution for everything and exhaust the organization with constant reorganizations.

Where is your organization on this spectrum? If you don't feel that you have a clear commitment to the new structure and systems requirements, spending additional time to refine your requirements will be a worthwhile investment before attempting to make other changes. Specifically:

- Are you clear about what resources are required for the change vs. those that are simply nice to have?
- Can you articulate the minimum process and systems change requirements to obtain the change you desire?
- Have you conducted a pilot to demonstrate the return on the required investment?

8

- Have you considered how to best focus and deploy initial resources to obtain the maximum impact?
- Can you identify other structural and systems changes that will be necessary to be effective?

08 Leader Ability and Willingness to Change

Organizations that are most effective at driving change understand that awareness, desire and knowledge are not sufficient. Change also requires the demonstrated capability to adapt and evolve behaviors and outcomes. They also understand that effective change starts at the top. It requires leaders to demonstrate their ability and willingness to change their own behavior. How are these organizations approaching leadership's ability and willingness to change to achieve successful outcomes?

First, these organizations understand that change isn't any easier for senior leaders. In fact, previous success may make it even harder for senior leaders to realize why they need to change. Time and resources must be devoted to ensuring alignment among the senior leadership about the need for

change. External and internal coaches help leaders understand what in their behavior needs to change. And when someone is unable to change, these organization make the difficult but necessary decision to replace that individual.

Second, these organizations demand that their leaders model the change for others. Leadership means being a step ahead and demonstrating the type of change you expect from the remainder of the organization. Coaches, whether external or internal, can be particularly helpful in providing feedback on whether a leader's interactions with others are, in fact, modeling the appropriate change.

At the opposite end of the spectrum are organizations that fail to effectively implement the changes they attempt. Here leaders feel that change for others is fine but do not see the need to change themselves. They are all about "fixing" everyone else – or delegating responsibility for change. They demand change from their staff but fail to be effective role models for the desired change. It is guaranteed that if the senior leadership doesn't model the change, it won't happen in the broader organization.

Where is your organization on this spectrum? If you don't feel that you have a leadership team that is able and willing to change, consider the following:

- How widespread is the problem? Broad or limited to a few individuals?
- Have we devoted sufficient time to helping leaders understand the need to change and what is expected of them? If not, how can that be addressed?

- What time and resources have we devoted to helping leaders understand how to model the appropriate change?
- What coaching resources could be enlisted to assist leaders and to provide feedback?
- For those that can't seem to make the transition, do we have an effective succession plan in place?

09 Mobilized and Engaged Pivotal Groups

In the previous section, we talked about the importance of senior leaders' ability and willingness to change. While it is critical that the senior leaders model the appropriate behavior change, the organization also needs to enroll other key influencers to have change filter down through the organization. Companies that are most effective at driving change do an exceptional job of engaging leaders across the organization to help effect the desired outcomes. How are these organizations approaching pivotal individuals and groups to achieve successful outcomes?

First, carefully consider which group(s) are pivotal for early success of any change initiative. This helps focus resources for maximum impact. Like a wave, the change initiative ultimately needs to spread across the organization – but these organizations think carefully about where to initiate the activity. These starting places become the source of energy for change to spread. The identification of pivotal groups may be driven by tipping points in the customer experience, strategic importance, or organizational influence.

Second, these organizations understand that they must engage both the formal and informal leaders. In the early stages of the change initiative, they actively recruit informal leaders to act as "change champions." Informal leaders may or may not have position power, but they possess something more important: social power and influence that other employees take signals from and respect. Ideally, these are individuals who already are aware of – and desire – the needed change. This coalition of willing, engaged, and respected individuals allows you to jump-start the change initiative. They set the tone for the change ahead and model new behaviors both within and around the existing organizational hierarchy. Later, as the change program is more clearly defined, it is time to engage the broader formal leadership hierarchy.

Third, actively engage these influential leaders in the change process. Listen to their ideas. Allow them to take the initiative to test changes. If you have selected the right leaders, they will surprise you with their energy, ideas, and commitment. Even after you have a more clearly defined change program, and are enrolling the entire organization through more formal channels, encourage leaders to work together to tailor the change to their department's needs.

At the opposite end of the spectrum, where change initiatives do not take hold as planned or hoped for, are organizations where leaders feel that they lack the right leadership talent throughout the organization to inspire and influence change. They often rely exclusively on the existing formal organizational hierarchy, which may be resistant to the change or slow to grasp the intended impacts. Or they depend on the heroics of a few – and expect change without providing appropriate support or resources to front-line advocates. These organizations also allow a few vocal critics to undermine change efforts – or succumb to the indifference of middle management.

Where is your organization on this spectrum? If you don't feel that you do a good job of mobilizing and engaging pivotal groups, consider the following:

- Have we considered which groups are pivotal to early success?
- Can we identify the informal leaders who can be change champions?
- Are we willing to empower and support these leaders to drive change?
- Have we devoted sufficient time and resources to prepare our formal leadership hierarchy to support the change?

10 Tight Integration and Alignment of All Initiatives

In the previous sections, we have discussed the importance of developing a winning strategy that establishes the necessary change; building awareness through a compelling and urgent case and specific change criteria; creating desire through balancing decision-driven and behavior-dependent change and establishing a clear performance focus; leveraging knowledge by applying appropriate skills and resources and addressing structure and system requirements; and modeling the change through leaders demonstrating their own ability and willingness to change and by mobilizing and engaging pivotal groups. Through those steps you have put the appropriate foundation in place and likely launched a series of initiatives – both to change how you operate as well as the necessary behavior and cultural changes.

The most effective organizations realize that they have lots of initiatives underway and must have many things in motion simultaneously to drive the needed transformation. They also have a very disciplined process to keep all the plates spinning and to raise and resolve alignment issues before they get out of control. How do those organizations ensure such tight integration and alignment of initiatives?

First, they focus on the interconnectedness of their initiatives. They develop a clear picture of prerequisites and interdependencies. They sequence their work accordingly and are disciplined about pruning out efforts that do not substantially contribute to the desired change.

Second, these organizations establish a central strategy deployment or integration management office. Whoever leads this function must have deep

leadership and management skills as well as organizational clout. This office tracks progress of all initiatives, both decision-driven and behaviorally-dependent; it understands what remains to be completed and identifies any roadblocks and resource requirements. They also measure whether initiatives are producing the desired outcomes – or if additional work is required. This office isn't necessarily leading the initiatives, but it has the authority to step in as needed, escalate decisions, and ensure that leadership has a common view of status and progress being made.

Third, they have an engaged and empowered decision-making process. Appropriate project or initiative leaders, functional managers, and company leaders meet regularly to review progress. They redirect resources to ensure that critical efforts stay on track so that dependencies are well managed. They adjust project timelines as needed to keep everything in synch. When competing demands arise, they consider how to best move all appropriate initiatives forward versus a start/stop/start cadence.

At the opposite end of the spectrum are organizations that feel overwhelmed by the number and variety of initiatives underway. Managers and employees are confused about priorities or don't see clear priorities when "everything is important." Key projects are under-resourced and falling behind. Projects often conflict and appear to be pulling the organization in different directions. Other initiatives are isolated and allowed to continue even if they will derail larger change efforts or aren't producing meaningful results. No one seems to have "the big picture" and decision making is fragmented "fire-fighting."

Where is your organization on this spectrum? If you don't feel that you have a solid track record of tight integration and alignment of initiatives, consider the following:

- Have you established clear values and principles that will drive prioritization?
- Have you laid out a plan to sequence initiatives, considering their impact on one another? Does senior leadership align around the proposed sequence?
- Do you have a centralized Strategy Deployment Office? If not, can you obtain the resources to establish one?
- Can you identify the correct decision-making body? Are they already engaged in this work? What information will they need to be most effective?
- Do you have recovery plans if initiatives slip (as they often do) so that the whole change effort is not lost or the impact minimized?

To better assess your organization's readiness for the change ahead of you, we invite you to complete our change readiness assessment at: http://bit.ly/2tgPNpu