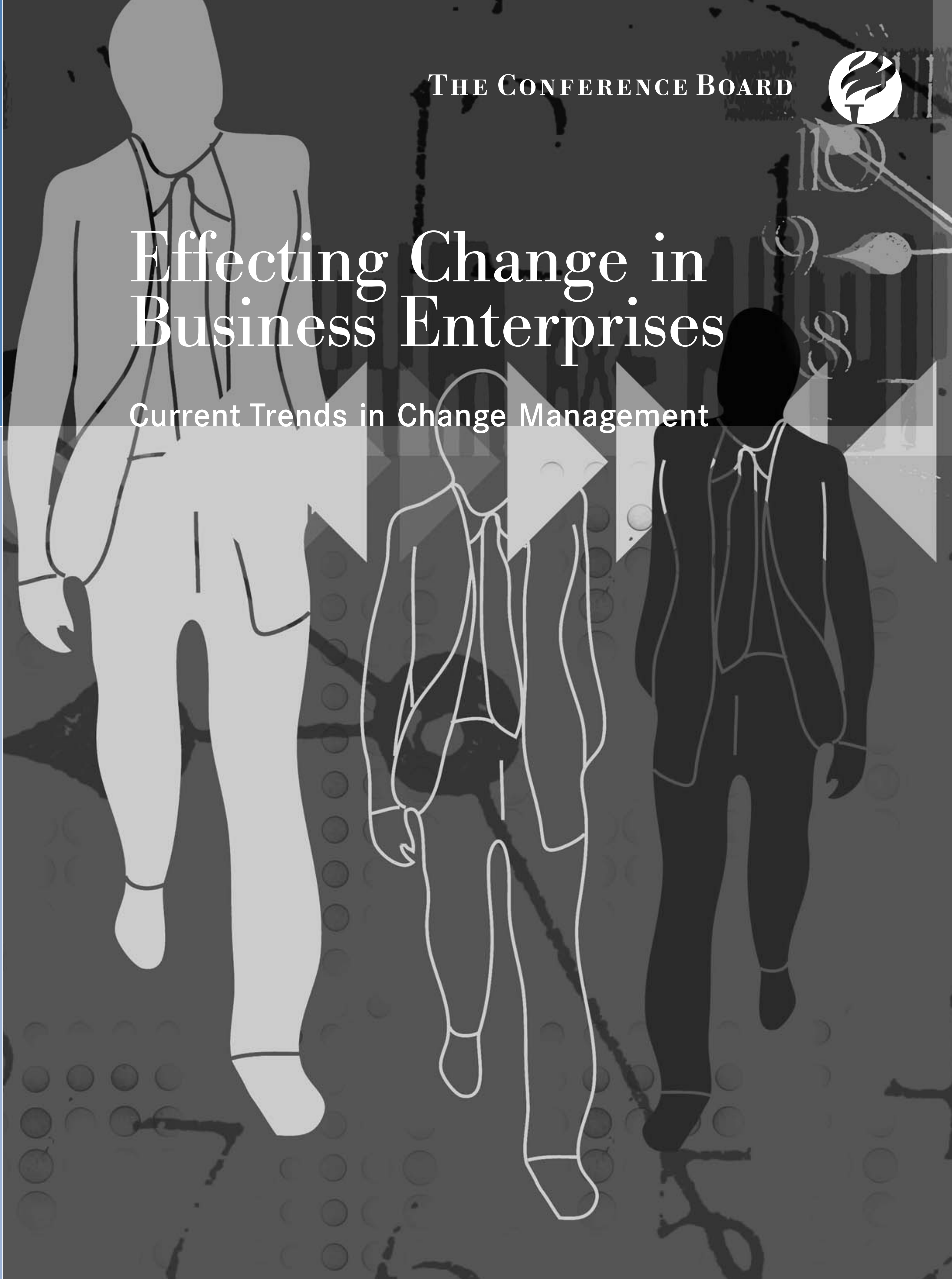
RESEARCH REPORT

The Conference Board

Effecting Change in Business Enterprises

Current Trends in Change Management



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ABOUT THE REPORT

Working in change management has probably never been so important or so complex as it is today. To help managers navigate, *Effecting Change in Business Enterprises: Current Trends in Change Management* presents current models and methods used 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. Drawing on these resources, the group sought to examine the "state of the art" in initiating and effecting change in business enterprises. Its focus was to study change management at three organizational levels:

1. Organization
2. Department
3. Individual

It is hoped the knowledge gleaned from this research will help organizations know more about what they need to make change management work.

Effecting Change in Business Enterprises

Current Trends in Change Management

by Gregory R. Guy and Karen V. Beaman
Interviews by Carole Weinstein

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Dr. Guy has published research on international business models, global mindsets, and international work experiences. Notable publications include *Towards a Social Science of Language* (ed.), *Language Variation and Linguistic Theory*, and *Análise Quantitativa em Sociolingüística* (Brazil).

Dr. Guy holds a doctoral and master's degrees in linguistics from University of Pennsylvania and a B.A. from Boston University. He has been a lifelong activist for social diversity and human rights, having served on institutional, municipal, provincial, and national panels addressing issues of disability, accessibility, and diversity in higher education and in the workplace.

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Beaman is an internationally recognized speaker and author, having published work in the fields of linguistics, humanities, management, human resources, and information technology. She is the co-founder and Editor-in-Chief of IHRIM Journal and is editor of the books *Boundaryless HR: Human Capital Management in the Global Economy and Out of Site: An Inside Look at HR Outsourcing*. Her latest book, *Common Cause: Global Shared Services for Human Resources*, is scheduled for release in 2005.

Beaman has a B.A. from Old Dominion University and an M.S. from Georgetown University and was promoted to Ph.D. candidate in Sociolinguistics and Historical and Computational Linguistics. In 2002, she received the IHRIM Summit Award for her lifetime achievements in HR information management.

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Key Findings

- Seventy-three percent of companies have achieved either modest **formalization** (54 percent) or have formalized their change management process "to a great extent" (19 percent).
- Eighty-two percent of survey respondents identified **change management as a priority** for their company.
- Ninety-nine percent expect **an increased need for change management** over the next three years; of this group, 62 percent expect the need to increase to a great extent. But over a third has neither implemented a change management function nor plans to do so within the next three years.
- 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.
- The change management **function is most commonly located** in the HR department (46 percent), followed by corporate headquarters (27 percent).
- Common **change initiatives underway** include change in business process (89 percent), organizational structure (76 percent), and behavior (68 percent).
- Criteria most commonly factored in to **selecting a change model or strategy** include market demand (68 percent), availability of budget (52 percent), availability of other resources (47 percent), changes in leadership (41 percent), and employee satisfaction and turnover (37 percent).
- The top critical factors in **effecting change** are planning, communicating, and active participation.
- The top three key competencies for **implementing change** are effective communications, building trust, and achieving collaboration.
- The top three **implementation techniques** to carry out initiatives are communication, employee participation, and linking implementation to individual performance objectives and compensation.
- Top challenges to **effecting change** are people issues, organizational resistance, and communication weaknesses.
- The top two **metrics** for measuring change are surveys (70 percent) and scorecards (70 percent).
- The three main areas contributing to **achieving change management** are alignment, competency of leadership and the organization, and competitive pressure.

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. Globalization, competition, and accelerated technological innovation are creating conditions under which change itself is changing: It 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. CEOs 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] To further examine the expanding demands for effective change management, The Conference Board established the Three Faces of Change Working Group. Its focus was to study change management at three organizational levels:

1. Organization
2. Department
3. Individual

The working group researched current change management issues and practices through a survey, in-depth interviews, and case studies. Drawing on these resources, the group sought to examine the state of the art in initiating and effecting change in business enterprises.

Results show new directions and increased impact for change management. There is wider recognition of change as a constant feature of the business environment and an increased need for developing expertise in change management, which is now well-funded, growing, and considered important enough to be designated as a department or distinct business function.

It seems working in change management has probably never been so important or so complex. To help managers navigate, this report presents models and methods derived from the collective wisdom and experience of working group members and survey participants. It is hoped the knowledge gleaned from this research will help organizations know more about what they need to make change management work.

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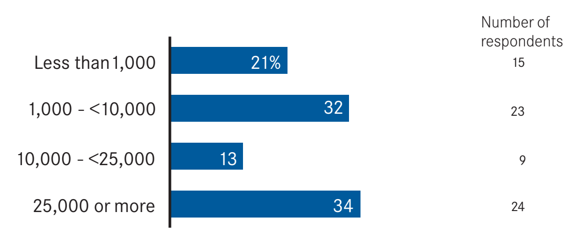
1 See *CEO Challenge: Top 10 Challenges*, The Conference Board, Executive Summary R-1353-04-ES, 2004.

Respondent Profile

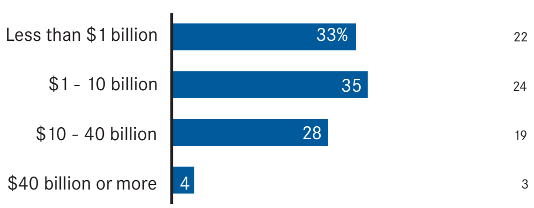
Seventy-one companies participated in the change management survey, ranging in size from small to very large as measured by worldwide revenues and number of employees. They represent a range of industries, operating in the United States and across a broad spectrum of other countries and regions.

Employees

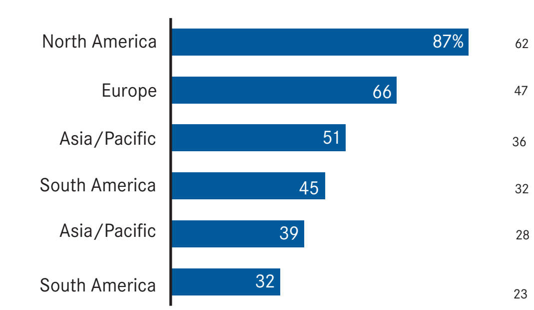


Worldwide Revenues

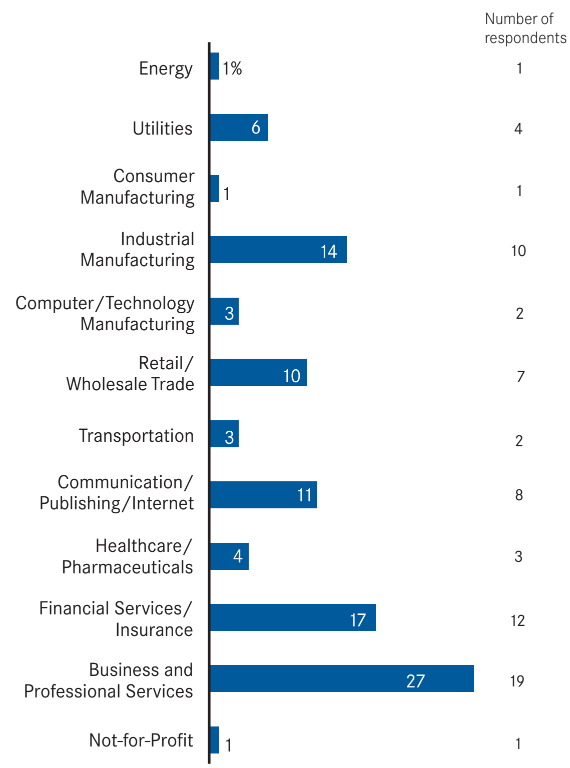
(US$)



Areas of Operation



Primary Business



* Percentages do not add to 100 because of rounding

Change Management as a Business Function

Expectations have shifted from seeing change as an extraordinary event to seeing it as a permanent condition of business life. Similarly, change management is increasingly perceived as an ongoing business function rather than a focused response to an occasional need for reorganization.

Survey results and case studies indicate that change management is becoming institutionalized in various ways, including:

- designating a change management function in the organization (most commonly in HR departments);
- developing tools and techniques for planning and implementation;
- establishing communication methods for facilitating change; and
- reorientating corporate culture toward flexibility and agility.

Need Expands Change Management's Presence

Among survey respondents, 82 percent identified change management as a priority for their company. Looking forward, companies are virtually unanimous in their expectation that the need for change management will continue to expand: Ninety-nine percent expect an increased need over the next three years; 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. Fully 73 percent of companies have achieved either modest formalization (54 percent) or have formalized their change management process "to a great extent" (19 percent).

The location of the function varies. Most frequently, it 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 an 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 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—through either outside consultants or new hires with the necessary skills.

What Is Driving 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
- Process
- Technology

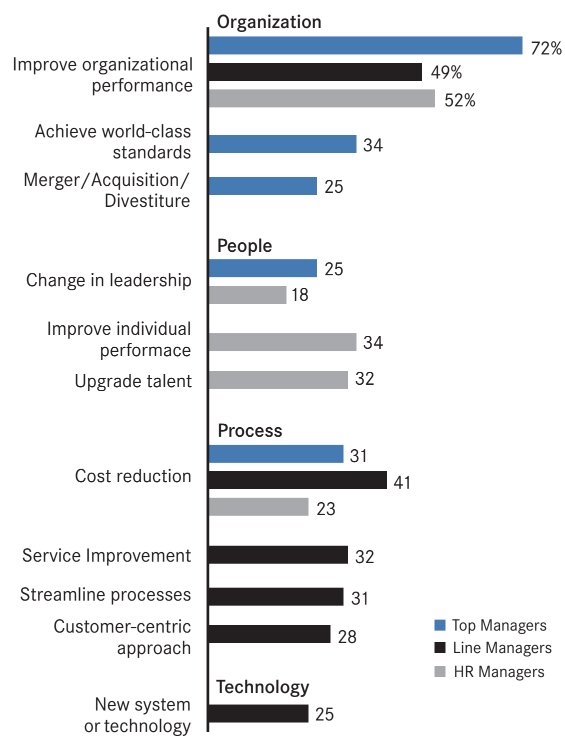
Some change drivers are common across the enterprise, while others vary for different groups of executives—top managers, line managers, and HR managers. When asked to identify the principal drivers that prompt these executives to develop or sponsor change management in their companies, the management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

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

Line management is driven largely by business process concerns. Notably absent is anything related to people and personnel, 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.

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

Drivers of change management



What Is *Not* Driving Change Management

While what is mentioned as a change management driver is important, what is not mentioned is also noteworthy.

Innovations in products and technology

It is not surprising that new product development is not 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 less than 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 they have technological change initiatives 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.[2]

2 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.

Marketplace expansion

Surveyed HR executives do not see marketplace expansion as a potential driver of change management: 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 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 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 short-sightedness in considering the impact of expansion on their organizations.

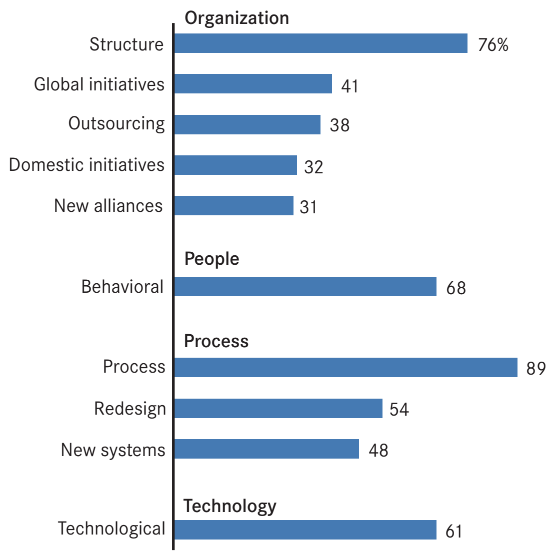
Change Initiatives Underway

What executives see as change management drivers contrasts greatly with the actual change initiatives underway. The most common type of ongoing initiative is change in business process (89 percent), which is ranked fourth as a driver for line managers and not ranked as a driver for other executives.

Noteworthy is the 38 percent of executives who indicate outsourcing is an ongoing change in the company; 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 trails at 32 percent. These percentages suggest that globalization is big factor in business operations at a broad spectrum of companies.

Change initiatives used



Management Roles

The broad-based engagement of many management categories in the change management process is striking. Effecting change is no longer compartmentalized or externalized; rather, executives at all levels across the enterprise are seen as having important roles in change management.

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. But top executives appear to have less active roles in other stages of change management.

Leading For most participants, leadership over the change process is fairly evenly divided between HR directors, local business unit leaders, and corporate officers at the vice president level. 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.

The roles of management

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

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 The task of evaluating change is more diffuse across the organization:

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

Other officers and agents are also mentioned as having roles in the change management process. So one approach to formalizing the process, cited by a quarter of respondents, is to have a change management manager involved in all phases.

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 Deciding 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 the 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 the process in the 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? Changes in corporate priorities are by far the most common factor leading to plan revision, and it is easy to see why. The 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 an alteration of scope or direction.

Top factors triggering adjustments

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

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

Another group of factors leading to plan adjustments involve availability of resources, time pressures, and budgetary concerns. Their importance speaks to the planning challenges in change management. It is sometimes difficult to forecast the full scope and time demands of a change project and its impact on budget and resources, so it may often 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 clearly should be a dynamic process, undergoing frequent revision to accommodate the 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 this study:

- Planning
- Communicating
- Achieving participation

Nearly three-quarters of the executives in the survey identified getting full employee engagement as critical to success. Planning and communicating are in large measure preparations for stimulating such engagement.

Critical factors in effecting change

Planning techniques	*Percent*
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

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 methodology and process is less common.

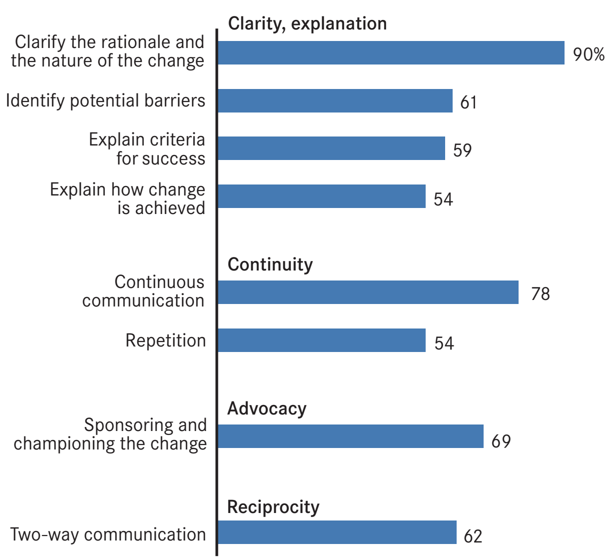
Effective communication is critical. As one executive describes, it is "fundamental to our efforts." Survey respondents systematically seek to communicate the scope and rationale for change—almost all cited this as a basic preparation for launching a change. Three-quarters also conduct training for employees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

Achieving participation through seeking 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.

Successful Communications

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? Clarity, continuity, and constancy. The communication must also be reciprocal; management has to listen as well as talk. Advocacy and sponsorship are also vital in communications.

Top techniques for successful communications



Implementing Change

When change management is put into operation, what do businesses do to implement the change? Survey results and working group discussions reveal that effective communications are again seen as the principal means of putting change into practice—the ability to clarify and communicate is the top-ranked competency for facilitating change. The second and third ranked competencies, building trust and achieving collaboration, also involve communication.

Unexpectedly, less emphasis is placed 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 making change successful. Merely preaching the change message 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 implementing change, but they are given less importance by executives in the survey than communications. Strategic planning and decision-making are given intermediate rankings by respondents, as is the operational ability to manage cultural change, but other competencies in these areas receive comparatively low ratings (e.g., facilitating intervention, managing diversity).

Key competencies for implementing change

Action vs. attitude

A useful distinction can be made between the action-focused side of change management (what people 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 also required for successful change.

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 there are several specific techniques to promote motivation and employee empowerment that are widely used.

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). This is cited by fewer than half of the respondents, suggesting substantial room for growth, at least in those industries where such information is readily available.

Implementation techniques

Technique	*Percent*
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

Engaging Employees

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

- Acceptance
- Understanding
- Willing participation
- Enthusiasm

Achieving this 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 into the change process, such as recognition and reward programs and links to compensation.

Finally, critical to the success of any change initiative is follow-up during and after implementation 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 direction of change.
- Communicate constantly about what is different and how it affects people.
- Communicate about links to corporate culture and other systems.
- Solicit feedback.
- 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.
- 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.
- Reorganize work assignments effectively and equitably.

Provide motivation and incentives:

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

Follow-up:

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

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 has turned its attention to other things, but the process is not complete and will not be so without sustained effort. What are the typical challenges that change management efforts face at this stage, and how are they overcome? What techniques can help managers sustain the change over the long haul?

Top Challenges

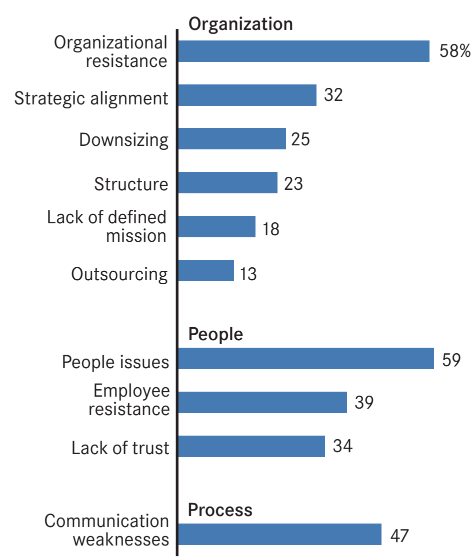
Of the top challenges reported in the survey, the biggest factors are people issues: covering staffing and talent problems, personnel turnover, employee attitudes and engagement, and the like. Resistance by individual employees and lack of trust have fairly straightforward resolutions (the same ones 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 in order for communication weaknesses. The appropriate response is to identify shortcomings in the communication strategy and implement successful techniques.

The rest of the top ten 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 tractable 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).

Top challenges to change management



“Casualties” of creative destruction

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 suffer a loss of institutional clout and status. Some may take on new, perhaps less attractive, tasks and responsibilities. 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 the “losing” departments or individuals; even the imminent collapse of a burning platform may not motivate a unit to favor a change in which it sees itself as being “thrown to the wolves.” Overcoming such challenges cannot always be done without pain and 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 implementing new software, 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, and solutions lie in strengthening these areas. Similarly, lack of a defined mission can clearly be resolved by defining the mission.

But 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 functions 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 may see it this way, and some dissatisfaction and disengagement is inevitable under these conditions.

Measuring Progress

Some of the techniques that help sustain the change involve tracking and measuring its progress and effects. 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 follow: 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. For example, 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 the 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 components of the change process, such as training, communications, and the like. Process tools can be tracked to study implementation, and expectation indicators are customizable to fit local circumstances.

Common Change Management Pitfalls

Respondents cite the following indicators as demonstrating inadequate change management or potential pitfalls to be avoided. Some of these 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
- Underestimation of barriers; lack of due diligence

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.

Change management metrics

Metric	*Percent*
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

Achieving 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 and competition) and business goals but also a close focus on the specifics of the process:

- Identifying resistance, redundancies, and inefficiencies and overcoming or eliminating them.
- Ensuring every necessary step in the change process is taken.
- 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 throughout 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

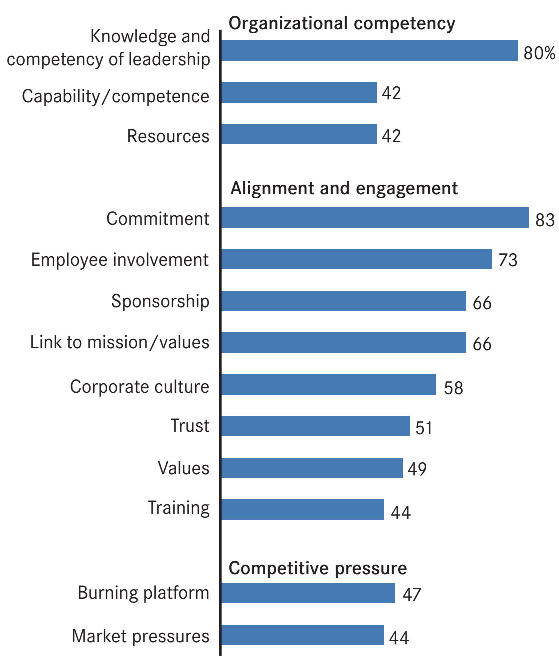
What are the secrets of successful change management? They fall into three main areas:

- Alignment
- Competency of leadership and organization
- Competitive pressure

Alignment

The number-one factor, **commitment**, is one of eight factors in the top ten relating to achieving alignment and engagement across the organization. This comprehensive significance that surveyed executives attach to alignment reinforces earlier findings:

Factors leading to success



- 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.
- 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 bringing the entire workforce on board as contributors and enablers of change possible. 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 monitor periodically its growth.

Employees must perceive they are being treated with dignity and equality to give their trust. If trust is there initially, they 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 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 facilitate 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 was 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. But, 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 Pressure

Competitive pressures create a sense of urgency and clarity about the need for change. Change for its own sake 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 the impetus a burning platform and market pressures provide 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 compose it, human resources departments are an essential component of change management. For companies in the survey that have established a formal change management function, HR is its most popular location. 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 the C-level management and other corporate officers, who are seen as the principal initiators.

HR 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

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

Communications HR 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 HR's people experience is critical in planning the change, including assessing skill requirements; anticipating training, hiring, or outplacement needs; and identifying resistance.

Rollout HR 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

HR 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.

HR 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 it to personnel policies to enhance motivation, employee engagement, and workforce competencies. Fully 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

HR 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. HR is often conducting pilot projects to assess the feasibility of change management efforts and using 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 the change.

The Future of Change Management

Prophesy is difficult, but several directions for the future of change management are indicated 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.

Some Elements Remain Cloudy

In addition to these trends, however, there are a number of aspects about the future of change management that 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.
- 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.

The Three Faces of Change Management

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.

1 Organization

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

2 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.

3 Individuals

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

Based on the cumulative experiences of working group members, survey respondents, and company case studies, there are essential competencies for each of level of the organizational change process.

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 continuous 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.

Case Studies

The following case studies examine organizations that are actively engaged in large-scale transformations or changes in business practice or processes. Based on in-depth interviews with survey respondents who expressed interest in participating in a deeper study, they provide examples of change processes, including changes affecting structure, process, and system-wide organizational development, and illustrate the:

- ongoing nature of the change management process;
- expanding scope of change;
- competencies needed; and
- need for continuous learning as companies move through their transitions toward transformation and renewal.

KeySpan Corporation

Headquarters Brooklyn, NY

Employees 13,000

Sales (2004) $6.65 billion

Product/Service Natural gas distributor

A Successful Cultural Shift

KeySpan Corporation was formed in May 1998 with the merger of KeySpan Energy Corporation, the parent company of Brooklyn Union Gas, and certain businesses of the Long Island Lighting Company. In November 2000, the company acquired Eastern Enterprises, a Massachusetts business trust, and the parent company of several gas utilities operating in Massachusetts and New Hampshire.

In September 2004, KeySpan launched its new brand campaign "Climate Is Everything." This campaign is an outgrowth of a large culture change the company has been actively implementing for the past year. Respect for diversity, integrity, trust, open communication, teamwork, leadership at all levels, unparalleled customer service, and community commitment are the driving forces for this newly branded organization.

Planning for Change

In planning for change, KeySpan envisioned what successful change management would look like. The organization's leadership team recognized that their cultural change initiatives would be organized into relevant work streams, including:

- Executive sponsor alignment
- Strategic business unit (SBU) sponsor alignment
- Change management enablement
- Employee communication
- Change management

Implementing Change

Executive sponsor alignment

Executive sponsorship led the change and pervasively reinforced it throughout the process. Through culture alignment sessions, enterprise-level behaviors were articulated. Session results were discussed, leading to the development of an enterprise culture definition.

Branding sessions defined the business brand for the company, its customers, and its cultural transformation. To track initiatives throughout the change process, Pulse surveys were used to establish a baseline, assess feedback, and monitor progress. A cultural alignment plan was put together to initiate projects, and the executive team held sessions to reinforce planning for the large-scale cultural change.

SBU sponsor alignment

Sponsors in the business units participated in alignment sessions to ensure they clarified their role as change leaders, formulated key messages they would deliver, and developed survey data and other communication tools. Sponsors held ongoing sessions to discuss change management issues as they surfaced and to review feedback from Pulse surveys.

Change management enablement

A change management oversight team defined its role and articulated respective roles and processes across the organization. A change agent network was created, including more than 100 employees from across the enterprise with strong communication and influencing skills. This large team enrolls change champion employees deeper in the organization.

This large team crafts change messages for their organizations and designs and trains employees on process and cultural changes. Most importantly, they are a loud and persuasive voice to articulate and influence the change. The team has videoconferencing meetings twice a month, and every quarter, KeySpan runs a training session to increase their toolkit of HR practices (facilitation training). They discuss change issues in each work stream, identify strategies for change enablement, and share lessons learned.

To identify factors to be transformed or realigned to drive the new culture, the oversight team conducted a high-level assessment with the appropriate HR business partners and chief operating executives. Business partners and change agents rolled out personal resilience programs to assist employees in coping with the stress of change.

Employee communication

KeySpan developed a comprehensive communication strategy and communications materials to rapidly deliver information to all key stakeholders. An enterprise-wide strategy identified key stakeholders and communication channels and established guiding principles, resources, roles, and messages.

The company also developed a transformation Web site, which chronicled the ongoing change effort and identified transformation "all stars." All stars are employees who model the behaviors of a high-performing workforce. Transformation updates are issued regularly online and all of this is memorialized in monthly video format at Leadership Meetings.

KeySpan runs two transformation events, with 400 employees attending each event. The goal is to have these employees experience the process changes and learn as much as they can in a full-day experience.

Change management

KeySpan developed a culture change dashboard that defined measures for tracking progress and change leader effectiveness. A Balanced Scorecard™ team collaborated on measurement development, and Web surveys assessed employee readiness for change and perceptions of change leader effectiveness. Three follow-up Web Pulse surveys measured progress and provided feedback to all levels of employees.

Challenges

The transformation change challenge is how to sustain momentum through the second and third year of this work. KeySpan has relieved a percentage of the change agents and replaced them with new employees. This creates an even larger percentage of the workforce who understands the business imperative behind the need for change and develops new acolytes.

Additionally, ratcheting up the measures of success in subsequent years maintains the pressure to continue and be aggressive in one's expectations.

Lessons Learned

Change work requires leadership at the top, patience, persistence, discipline, transformational leadership, and a long-term commitment to the execution of the plan. If any of these components are lacking, don't start. If you have these components, be sure you partner with a wise and experienced consulting firm to free you up for all the emotional turmoil you and the organization will need to cope with.

Motorola, Inc.

Headquarters Schaumburg, IL

Employees 68,000

Sales (2004) $31.3 billion

Product/Services Consumer broadband service systems, networks and software, government and enterprise solutions, and mobile devices

A Strategy to Become Change Able

Seamless mobility (the ability to be connected to the things and information that matter to us, regardless of location) is Motorola's key focus and it is intended to accelerate earnings improvement, improve new product execution, take customer relationships to the next level, and grow the company's share in most markets.

Motorola is engaged in an accelerated change strategy to facilitate change effectively throughout the organization. The company believes in linking its change acceleration and its Digital Six Sigma Management System to produce a high-performance system for executing business strategy.

Planning for Change

Although Motorola has had extensive experience in dealing with change over its 75-year history, it is now focused on how to make change happen better and more efficiently. The major challenge is getting the new framework to the rank and file so it becomes a part of the culture and business operations. The company is also focused on enhancing HR's ability to enable change through training and participation. Its initial strategy was to have existing black- and green-belt Six Sigma experts deploy the new change framework.

Recognizing that its business strategy is driving and accelerating the need for skillful change management, Motorola is focused on ensuring that people doing change have the skills and tools required for the company to become change able.

Implementing Change

Toward this goal, Motorola has designed a change acceleration framework, consisting of five phases driven by five key questions:

Why change now? Confronting reality; clarifying rationale, purpose, and business case; identifying essential sponsors; and ensuring the sponsor has the core traits and accountability needed for success.

Change to what? Defining the winning future. A gap analysis is completed, and value propositions are clarified.

How to achieve the greatest impact? Designing the change plan and translating commitment into momentum.

How to change fast? Executing and adapting the change campaigns and monitoring progress. The campaigns are intended to divide the sequence and process into "digestible" chunks.

How to drive better results? Enabling skills and moving forward, and tracking, monitoring, and documenting results.

Motorola is creating change capability by developing a well-crafted methodology and toolkit that is linked to its Digital Six Sigma system. It offers training for all stakeholders through its HR business partner academies, IT academies, network of communities of practice, and change acceleration Web portal. This training focuses on stakeholder management, overcoming resistance, business acumen for HR practitioners, and relationship management throughout the business.

Change acceleration portal

The change acceleration Web portal serves as a communication tool as well as a central depository for all relevant information about the change process, success stories, and outcomes. It is designed to match the five phases of Motorola's change acceleration framework. The portal has several levels of access, depending on the role that users have in the change process.

Whether they are sponsors, employees, champions, HR professionals, or change agents, users can advance their learning about the process, enhance their skills, and contribute to the overall growth strategies. The portal provides learning about the meaning of the change. There is a constant effort to get leaders and all others to learn about the change process and to bring business targets into their change education. This creates opportunities for dialogue among business leaders and employees.

Challenges

Institutionalizing a change management methodology is more effective if it is linked to other core business practices that already have broad acceptance. Motorola is linking its change acceleration framework to Digital Six Sigma and project management.

Outcomes

Change acceleration at Motorola is not an alternative to project management or Digital Six Sigma methodologies. It provides a consistent way to manage change by addressing people and organizational issues that can affect success, which helps Digital Six Sigma methodologies "stick." While all of the framework's action steps are critical to success, one of the key lessons Motorola has learned is that the main work of implementing change lies in designing the plan and executing and adapting change campaigns.

Motorola is building a community of practice among change agents and business units and a more consistent application of its central acceleration framework. The company believes its framework creates an operating philosophy that involves less push and more pull. People are asking for collaboration, which is one of Motorola's measures of success.

Although resistance is encountered at times, management tools and processes identify its sources and causes. A multi-pronged approach is used with communication to consistently and frequently inform people that they have a role in the process. Ongoing feedback is solicited to assess change management effects throughout the organization.

Lessons Learned

- Motorola recognizes the importance of having its own "change language," which helps professionalize HR and OD functions.
- Having a high-level sponsor/champion helps movement toward institutionalizing change processes.
- While training people about the change strategy is important, its value is greatly enhanced when it is linked to key initiatives.

AT&T Corp.

Headquarters Bedminster, NJ

Employees 47,600

Sales (2004) $30.5 billion

Product/Services Voice, video, and data communications

A Change Climate in the Context of Outsourcing

AT&T has been challenged most recently on many fronts, with managing change due to the large-scale outsourcing of human resource transactions and services as one example. Even though AT&T HR had already moved into a shared services environment and transitioned many administrative activities to Web-enabled employee self-service, the magnitude of outsourcing over 20 service areas and 500 employees and contractors would require full-scale change management support.

One of the key challenges is within HR itself; sometimes institutional resistance can outlast employees and line managers. Making the decision to embark into the then-new territory of comprehensive HR business process outsourcing was not easy and could have triggered long-lasting resistance. Once it had been determined that outsourcing was the best strategic option, the AT&T HR executive vice president started with the assumption that all functions and services would be outsourced. The HR leader of each functional area had to develop a case for what would be retained and how equivalent cost savings would be achieved—resulting in a greater scope of outsourcing than what might have otherwise been obtained.

Planning for Change

AT&T HR had already downsized by 50 percent in staff and budget in the years prior to the outsourcing due to institution of best practice process improvements, the addition of Web-enabled employee self services, and formation of a centralized shared services operation. Outsourcing in this case was one more level of change in an organization skilled and used to managing change.

Implementing Change

AT&T has an established set of change management practices in place, including:

Visible leadership A senior-level leader is always designated as the face and voice of a major change initiative and is given the authority and responsibility required to implement the change.

Project teams A team is assigned to manage projects for most initiatives.

Effective communications Good PR support is provided for change initiatives with full communications planning: multimedia, internal and external coordination, messaging over time, and monitoring surveys, focus groups, and feedback.

Alignment and coordination Good coordination exists across support groups (appropriate to the initiative). HR, Employee Communications, and training work well with leaders to ensure that goal-setting, performance management, and compensation processes support the initiative.

Minimally adequate resources Provision of minimally adequate resources can stimulate creativity—if the organization is also dedicated to and values maintaining the highest level of services to its customers.

Measurement and monitoring AT&T is very analytical and metric-oriented, so all major change initiatives have pre-established success criteria and measures. Senior management follows up and obtains progress reports.

Rewards for success Successfully leading a major change initiative can be career-enhancing. In addition to subject matter expertise, today's business leaders value those with the capability to lead teams, successfully implement changes, and achieve business results.

Challenges

Once the services have been successfully transitioned to the outsourcer, the work of governance to achieve the long-term value and benefits begins. For AT&T HR, current challenges include oversight and collaborative governance and optimizing joint operations. To resolve issues quickly, the company has adopted the following methods:

- Joint AT&T and HRO vendor teams are in place at the senior executive, contract management, and operational level to ensure strategic alignment and to monitor and manage the services and contract.
- A small dedicated AT&T HR contract governance team is in place to support the various joint teams, track financial and service performance, and ensure contract compliance.
- The contract governance team manages the issue resolution process used by both parties, resolving most issues at the joint operating team level, where the retained AT&T strategy and policy leaders work directly with their vendor counterparts responsible for service delivery.
- Scan for problems and attempt to catch them early. Escalate complex and contract issues so the operating team remains focused on delivery of the services.
- Using a Web portal shared by AT&T and the HR service provider for change control, reference materials, reporting, and issues management helps keep communications and agreements in alignment.

Outcomes

AT&T's HR outsourcing strategic agreement covers a seven-year term. Originally, 400 employees and 100 contractors transferred to the outsourcing provider in 2002. Two-hundred employees remained at AT&T with their AT&T supervisors, with work direction provided by the outsourcer.

Four years into the term, services levels have been maintained, cost reductions have been captured, and, together, several complex projects have been successfully implemented while customer satisfaction has improved.

Lessons Learned

Tenets: Start with and stick to mutually agreed principles.

Teamwork: Outsourcing and joint operations require strong partnering and collaboration both internally and with the respective provider.

Tenacity: The road may be bumpy. Persistence is needed to chart new paths and reach desired destinations.

Sprint Corporation

Headquarters Overland Park, KS

Employees 59,900

Sales (2004) $27.4 billion

Product/Service Fixed-line telecom services, mobile phone services, and digital wireless networking

Organizational Realignment, Expansion, and Customer Centricity

When Sprint decided to adopt a customer-centric model, it realigned its product lines, services, systems, and marketing. The new organizational model is focused on three major divisions:

- Individual (consumer) customers
- Business customers
- Local telephone service (residential and small business customers)

Sprint's recent reorganization makes more efficient use of its assets to create customer-focused communications solutions. The company intends to spur growth by capturing a greater share of existing customers' spending on communications, leveraging and expanding its nationwide distribution channels, and improving sales productivity.

Planning for Change

Sprint recognized that change management was critical to the reorganization's success. It emphasized management quality through a concentrated effort to restate and re-teach basic management principles. Expectations were set according to the direction in which the organization wanted to go. Diversity and inclusion initiatives were emphasized to engage everyone in the process and contribute value. The strategy was to view "everyone as a go-to person for something."

Sprint's change management objectives include:

- Create a roadmap for Sprint's transformation.
- Provide project management for the development and implementation of programs to drive structural and cultural alignment with business goals.
- Modify plans to adapt to changing business needs.
- Incorporate Sprint values and behavioral expectations.
- Reinforce management quality by providing a measurement model to evaluate success throughout the transformation.

Implementing Change

Sprint integrated change management and talent management. It sought to position people appropriately based on their interests and talents and to assist them in developing the requisite skills for change management. Sprint management assessed how to position people and how to manage its teams. It emphasized management quality as the fundamental core competency on which to base everything else. The company held to the belief that diversity and inclusion are keys to engaging everyone in the change process.

Sprint's tools for change were (and continue to be) provided by its training and development organizations—the University of Excellence, Talent Management and the Office of Transformation—and include a change management Web site. There, employees have visibility and/or access to developmental instruments, recommended reading materials, suggested coursework, and transformation toolkits customized for executives, managers, and individual contributors—all of which focus on processes for and issues related to change. One such tool is a resiliency assessment, which includes a performance self-assessment and helps to generate dialogue among team members about their styles for handling change.

Managers' abilities to facilitate change and provide consistency were assessed and linked to other HR functions, including talent management, staffing and selection, programs for emerging leaders, and executive and leadership development. Sprint's management training efforts emphasize business proficiencies, inclusion and diversity, leadership development, and culture.

During the July 2003 to December 2004 transformation period, Sprint reported on the progress of change objectives once a month. This analysis was discussed among senior management to accelerate communication about the culture, motivation, and morale.

Behavioral expectations for managers are clearly defined, including:

- Set aggressive and measurable objectives.
- Provide ongoing feedback and coaching.
- Develop robust and actionable individual development plans.
- Celebrate success.
- Accurately evaluate, differentiate, and reward performance.
- Take specific actions to advance diversity goals.

For managers and individual contributors alike, acting with integrity, focusing on the customer, delivering results, building relationships, and demonstrating leadership are also included among behavioral expectations.

Management-quality related resource guides provide job aids, courses, assessments, and other tools that managers can use to build proficiencies for success. Direct reports are encouraged to provide anonymous, aggregated feedback on their manager's management quality via face-to-face and online "skip level" tools during which behavioral success factors are discussed and evaluated.

All redesign initiatives at Sprint were identified using a uniform set of business criteria. A chief transformation officer drove the process improvement goals, and executive sponsors were identified for each process and monitored by a process owner steering committee.

Process teams were formed, and aggressive improvement targets were set. Tools used included Six Sigma and Workout. Communication and education plans were also initiated.

Surveys revealed areas for leadership focus. When areas of concern regarding the processes, system, or people were identified, they were assessed both in terms of strength and need for improvement.

Challenges

Senior-level sponsorship of change efforts enabled the most successful project outcomes, whereas areas for which there was less focus resulted in rejection of the change process improvement work. As teams tried to work through the methodology, the human response to change delayed certain initiatives. Additionally, in some cases, delays in implementation could have been avoided and more quickly met urgent needs of the business.

Outcomes

Transformation continues and is evolving into an ongoing "quality" framework that will be a fundamental aspect of the business, generally aligned with Malcolm Baldridge criteria:

- Leadership
- Strategic planning
- Customer and market focus
- Information and analysis
- Human resources focus
- Process management
- Business results

For approximately the first 18 months of the transformation effort, the Change Readiness Survey monitored associates' perceptions of the transformation's progress on a monthly basis. The senior leadership team reviewed comments from survey participants and took action to address expressed concerns. Today, process teams continue to work on improving key processes.

Lessons Learned

As a result of its efforts to drive change, Sprint learned that sponsorship by functional business owners is critical for success. In fact, functional owners must be a part of the decision-making process to quickly undertake efforts that stick.

Additionally, engagement by subject matter experts and key stakeholders throughout the process improves employees' levels of commitment and buy-in. Cultural characteristics also play a role, especially if employees do not embrace structured problem-solving as a way to improve the business (i.e., reward speed, not quality). Structured problem-solving methodologies can be modified and streamlined to support various process improvement initiatives. To give employees something to strive for, targets are imperative, including financial, process, and customer satisfaction measures.

Finally, change efforts are not a replacement for general leadership, which is the most critical component of any initiative.

The New York Times Company

Headquarters New York, NY

Employees 12,300

Sales (2004) $3.3 billion

Product/Services Publishing, newspaper distribution, TV/radio stations, Web sites, and wire and photo services

Leadership-Driven Change and Culture Shift

In the past two years, restructuring in the top leadership team at The New York Times Company created a great deal of change. Its change initiatives are due to internal realignment of functions and a new leader with a new style and vision.

Traditional management practices were brought into the newsroom, replacing previous management techniques. In journalism, it is common to have separation between the news side and the business side to preserve editorial integrity and independence. Ironically, the Times is now bringing in business management practices to the newsroom to restore its reputation and integrity.

Planning for Change

External and internal factors drive change initiatives at the Times. Priorities are set according to their urgency, as perceived by the leadership team. The *New York Times* newsroom became a priority after the Jayson Blair scandal because of the internal turmoil the ethics scandal created, damaging the paper's image as a public bastion of authority and integrity. The newsroom took the view that it could fix itself, but HR now tries to work in partnership while preserving the newsroom's strong sense of autonomy.

The Times does not have a change department. It has an HR department consisting of eight HR professionals with strong OD orientations who act as change agents. They work as internal consultants, embedded in organizational departments and business units, reporting both to the HR leadership and to their respective business unit leaders.

Implementing Change

There is no formal model of change at the Times. Change is perceived as a developmental process, and change facilitators work with their teams to help assess what is going on. The new leadership views high-performance teaming as important. As a result, many teams are now asking for assistance in achieving high performance and facilitators are helping them move forward. Facilitators also act as observers, assessing team progress and providing feedback to team leaders.

The vice president of HR believes that change facilitators' competencies include perceptive, strong listening skills, inquisitiveness, and risk-taking. They have to straddle the dual role of being embedded in the organization as both observer to and part of a departmental team, which puts them in the position of having to give feedback to senior leadership, act as the development facilitator for the team, and sometimes contradict a team's collective view.

Outcomes

The current change initiative at the *Times* began with the senior editorial staff. Change facilitators are using it as an example before rolling it out to the rest of the organization.

Change management is integrated into other HR operations, including staffing, retention, training, and staff development. About every two years, the Times conducts an employee survey. One of the key issues to surface in these surveys is that managers are not strong enough in coaching and communicating with employees and need help in promoting employees' professional development. To address this, HR helped design managerial staff development training to assist managers with developing coaching skills and performance management skills. Recruiting is also integrated with staff change issues to fill gaps where they exist.

Lessons Learned

- Communication is critical and should be emphasized up front to get buy in.
- Face-to-face communication works best in a print media culture (e.g., town halls held about every six weeks).
- Change agents are rotated to focus on different departments as a way to keep them fresh and to ensure connection with HR.
- In such a highly unionized environment, there is a resistance to change that may be stronger than in a non-union environment. Change is not discouraged by the union, but it may be more challenging because the contractual process is sometimes slower and more burdensome.

General Motors Corporation

Headquarters Detroit, MI

Employees 324,000

Sales (2004) $193.5 billion

Product/Services Automotive manufacturing, financial services, and vehicle safety, security, and information services

Making Culture Change Stick: GoFast!

General Motors (GM) sought culture change because of:

- the unrelenting pace of change in the automotive business;
- intense industry competition for faster decision-making; and
- perceptions of GM as slow and bureaucratic.

Planning for Change

GM wanted to transform its existing culture, which was hierarchical and slow to make decisions. Lack of trust, fear of risk, and internal rivalries were common. In 1998, led by their CEO, GM identified a sense of urgency as a key cultural priority: The company needed to "operate at Internet, not automotive, speed." To create a culture that is fast, focused, and fearless, GM launched the GoFast! change process globally in January 2000.

Implementing Change

GoFast! empowers people to solve problems in a faster, better way. It is intended to build a new culture of speed and urgency. Once GoFast! has succeeded, the right people will be brought together to make the right decisions to accelerate and improve business results.

GoFast! offers one-day working sessions that focus on solving a business problem and delivering results. Sessions provide a "public stage" for practicing new behaviors, and leaders are invited to make decisions based on the recommendations. Implementation is tracked publicly on GM's internal GoFast! Web site.

The process of initiating GoFast! includes identifying a business problem, selecting workshop participants and coaching decision panels, conducting the workshop, and then implementing the ideas. The types of problems that are often solved include:

- Reducing costs
- Reducing cycle time
- Simplifying business processes
- Eliminating unnecessary reports, approvals, and meetings

In a GoFast! session, employees who work on the workshop issue generate ideas, analyze the problems, make recommendations, and then present those recommendations to a decision panel of leaders, which acts on them immediately. The sessions allow leaders and employees to practice prioritizing issues, identifying the right problems, deciding what can be done, resolving conflict, communicating results, and sharing learning.

Challenges

As GM planned for and then implemented GoFast!, several challenges were recognized and addressed, including:

- Positioning GoFast! as a problem-solving tool, not a culture change process, to accelerate acceptance by employees and leaders.
- Allowing people to be resistant and cautious about embracing a new way of working together until business results were clear and visible.
- Making the GoFast! process "accessible" to different cultures across the globe. (GM does business in more than 200 countries.) While the GoFast! approach was the same everywhere, local adaptation was necessary on some dimensions. (For example, in high humidity climates, "sticky notes" were replaced with index cards and thumbtacks during the idea brainstorming session that opens every GoFast! workshop.) GoFast! materials were translated into several languages and made available on the internal GoFast! Web site.
- Continuously improving the GoFast! approach, based on employees' experiences, was critical to increasing buy-in and acceptance.
- Quickly building an internal network of advocates was important to accelerate implementation. A "Hub" team, which defines strategy and direction for the GoFast! process, invested considerable time in educating and coaching top leaders, developing GoFast! project managers, and training and certifying GoFast! coaches. Learning is shared among all GoFast! teams.
- Clarifying how GoFast! "fit" into the company's overall strategy and how it connected to other current work was important to communicate to all employees—early and often.

Outcomes

The GoFast! process design allows real business problems to be solved with real behavioral change. Leaders and employees can work together to build change capability. The design fosters success that gets rewarded, recognized, and measured. Behavioral goals link to business goals.

Regional project managers are assigned to each business unit and are held accountable for the success of GoFast!, as are leaders. Coaches are trained in each business to facilitate workshops. The strategy to sustain their progress is to build internal change capability to move fast. Currently, GM boasts over 3,000 trained coaches, 32 global project managers, and over 2,500 leaders who have championed GoFast! sessions and completed a two-hour "Leading GoFast!" e-course.

The chairman is actively engaged in leading the cultural transformation. He is visibly supportive by delivering annual company-wide communications, and talking about it in meetings, broadcasts, and roundtables. (The Hub team also creates regular company-wide communications.) He leads by example by dropping in on workshops, posting success stories to the GoFast! Web site, and modeling behavior. The chairman also requires GoFast! experience for promotion to senior levels and requires executives to champion two workshops. He personally rewards and recognizes GoFast! results and provides positive reinforcement to leaders who demonstrate GoFast! behaviors.

Measurement techniques include:

- Global employee census
- Employee assessments
- Coach surveys
- Leader feedback
- Annual reviews
- Publicity on the GoFast! Web site

Some of the rewards and recognition include formal executive management plans, 360-degree feedback tools, and informal practices, such as awards and recognition events.

GoFast! is changing the way work gets done at GM. The company is working cross-functionally to achieve common goals. Employees at all levels are getting involved in solving problems. Leaders are learning to lead more visibly and are simplifying the way they work. Employees are challenging the way things get done. Decisions are being implemented more rapidly.

GM's process is beginning to drive results as well as implement culture changes. To date, more than 15,000 GoFast! workshops have been held around the world and the "Top 100" have identified over $1 billion in savings. GoFast! is becoming GM's way of doing business.

Lessons Learned

To help make culture change stick:

- Integrate the change into the work.
- Earn buy-in and leader engagement as results are delivered; accept that not everyone will get engaged.
- Be flexible and firm.
- Continuously build change capability.
- Celebrate successes . . . a lot.
- Communicate, communicate, communicate!

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