

Inside Out: 3 change capabilities for successfully executing strategic initiatives

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EXECUTIVE SUMMARY

Multinational corporations (MNE) across all major industries¹ are attempting to undertake significant technology-enabled transformation initiatives.

Strategically, they are becoming increasingly aware of the need to become more agile, and therefore more responsive to market demands, by utilising disruptive technologies as a means to accelerate growth. They understand that exploiting the full potential of such technology will ultimately yield the greatest competitive advantage by way of growth expedition and accelerated market acquisition.

Historically, attention has primarily been focussed on defining clear visions and the subsequent development of strategies needed to operationalise those visions.

In an accelerated business landscape, long term vision and strategy alone are no longer sufficient. With rapid technological advancements and newly emerging market incumbents, it is becoming increasingly difficult to anticipate global business trends in the long term, and thus, taking advantage of such trends can be unpredictable.

Shifting priorities and flexible strategies place executives and programme teams under extreme pressure to deliver strategic initiatives in a timely and effective manner, while becoming increasingly conscious that the useful lifetime value of an ongoing strategy is deteriorating at a faster rate than ever before.

This, inevitably, makes programme and project execution the primary focus of companies aiming to leverage technology in order to improve their response to market changes.

We assessed the 3 change capabilities necessary for organisational agility, as well as how each one represents a requisite condition for the successful implementation of any change initiative.

¹. Harvard Business Publishing, "The 2018 state of leadership development report", 2018

Accelerated Change: Market View

A close observation of the wider business landscape over the last 25 years reveals the ways in which new incumbents have revolutionised the business world, and society, as we have known it. In 2018 Amazon, Apple, Google and Facebook were ranked among the top 10 most valued brands in the market. 3 out of the 4 (Apple being the exception) were less than 25 years old.

Alongside these four giants, other industries are also being disrupted by the large-scale emergence of new, technology-supported, brands and services. The social and collaborative nature of their services means they are transforming entire industries and providing countless opportunities to ambitious global small businesses.

Other noteworthy examples include:

Brand Name	Service	Age	
Microsoft	Computer software, consumer electronics, personal computer services	1975	44
Apple	Consumer electronics, computer software, and online services	1976	43
Amazon	E-commerce, cloud computing, and artificial intelligence	1994	25
Ebay	Online auction service offering consumer-to-consumer and business-to-consumer sales	1995	24
Netflix	American-based media services provider	1997	22
PayPal	Worldwide online payments system	1998	21
Google	Internet-related services and products	1998	21
Alibaba	e-commerce, retail, Internet and technology	1999	20
Wikipedia	Online encyclopaedia	2001	18
Linked In	Employment-orientated professional networking service	2002	17
Skype	Video chat and voice calls between computers, tablets, mobile devices, the Xbox One console, and smartwatches via the Internet	2003	16
Facebook	Social media and social networking service	2004	15

Brand Name	Service	Age	
YouTube	Video-sharing website	2005	14
WordPress	Open source content management system	2005	14
Twitter	Online news and social networking service	2006	13
Spotify	Audio streaming platform	2006	13
Dropbox	File hosting service	2007	12
Kick Starter	A global crowdfunding platform focused on creativity and merchandising	2009	10
WhatsApp	Cross-platform messaging and voice over IP service	2009	10
Uber	Ride sharing/peer to peer technology service	2009	10
Money Dashboard	Online personal financial management service	2009	10
Instagram	Photo and video sharing social networking service	2010	9
Zoom	Remote conferencing services using cloud computing	2011	8
Deliveroo	British online food delivery company	2013	6
Upwork	A global freelancing platform where businesses and independent professionals connect and collaborate remotely.	2015	4

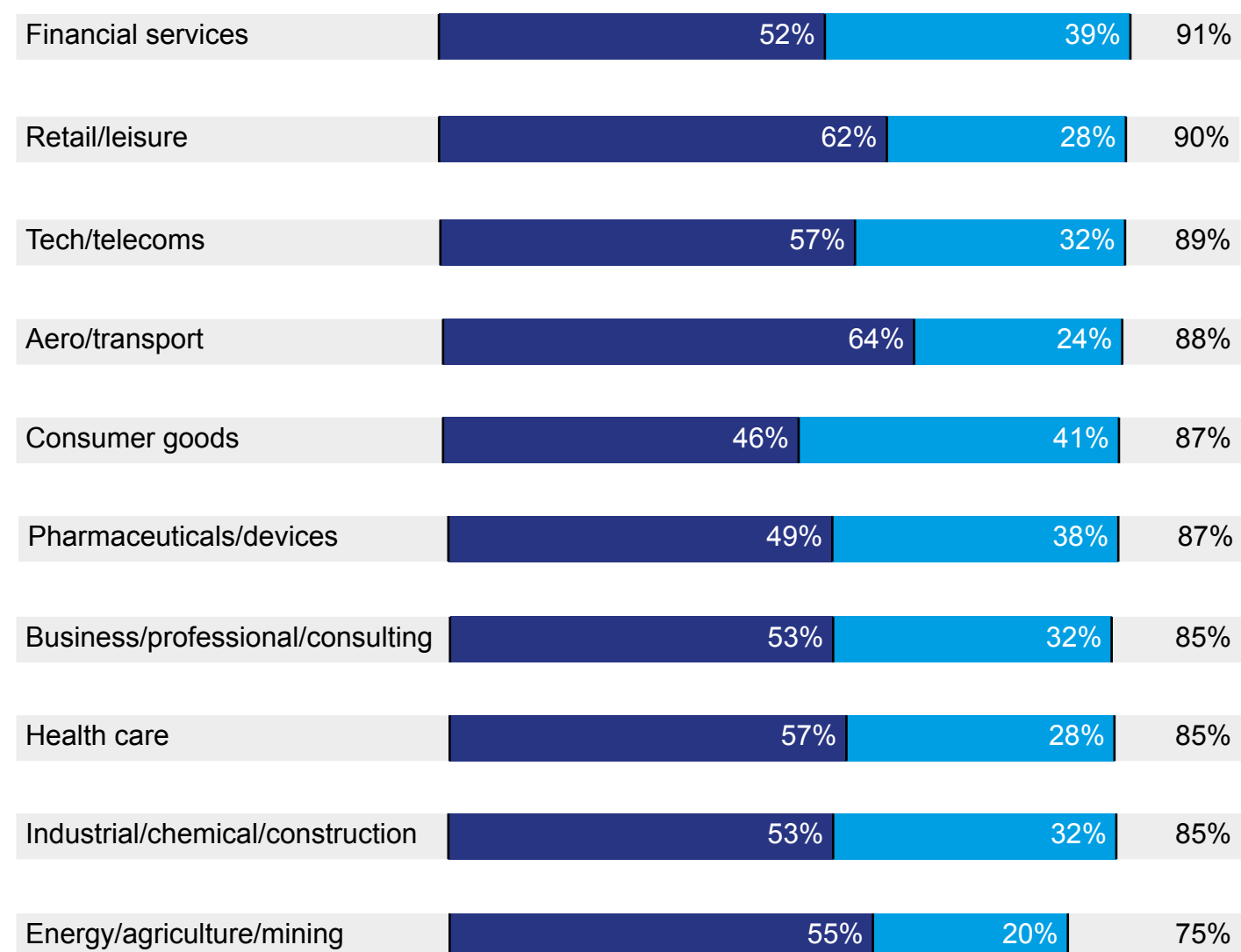
Long standing corporate organisation are implementing significant transformation initiatives in an attempt to equip themselves with the foundational technologies necessary to adapt within the ever-changing global marketplace.

Cloud infrastructure services such as Amazon Web Services, SAP, Oracle, Salesforce and Microsoft, container and storage capabilities including Docker open source software and Pure Storage, as well as corporate applications and collaborative platforms like Skype for Business, Office 365, SAP Concur, Salesforce and Box, among others, have paved the way for widespread digital transformation.

²Daniel Priestley, 'Become a Key Person of Influence: The 5 Step Sequence to Becoming One of the Most Highly Valued and Highly Paid People in Your Industry' 2010

Current Transformation Status by Industry

● In the midst of a transformation ● Completed one in the past three years



Notable failures to adapt and innovate: a panoramic view

Adaptable organisations are able to gain timely market insights and can swiftly adopt the technology necessary to meet and exceed their customers' demands.

Many notable businesses have been struggling to keep up:

- ▶ Of the 100 UK companies listed in the 1984 FTSE 100, only 24 were still in operation by 2012;
- ▶ In the US, the average lifespan of S&P 500 indexed companies, some of the best in America, has dropped by almost 50 years over the last century. While the figure stood at 67 years in 1920, it was just 15 years in 2012;
- ▶ 88% of Fortune 500 companies from 1955 were no longer in operation as the same entity by 2016;
- ▶ 50% of the current S&P 500 companies will be replaced within the next 10 years;

Numerous notable corporate organisations have filed for bankruptcy as a direct result of innovation lag. Although the external reasons are contextual to each business and industry, the overarching internal, and thus controllable, reasons that either enhance or hinder organisational agility are common across the board:

- ▶ **A lack of insight driven technologies** (e.g. Salesforce);
- ▶ **Conservative decision making** (e.g. failure to embrace online options);
- ▶ **Failure to effectively deliver products customers wanted faster than competitors** (e.g. Commodore Comp).

³ Richard Watson, Imperial College Business School, 'Why companies die', January 2017, <https://www.imperial.ac.uk/business-school/events/exed-resources/why-companies-die/>

⁴ Kim Gittleston, 'Can a company live forever?', BBC News, January 2012, <https://www.bbc.co.uk/news/business-16611040>

⁵ Mark J. Perry, AEI, 'Fortune 500 firms 1955 v. 2016: Only 12% remain, thanks to the creative destruction that fuels economic prosperity', December 2016, www.aei.org/publication/fortune-500-firms-1955-v-2016-only-12-remain-thanks-to-the-creative-destruction-that-fuels-economic-prosperity/

⁶ Lori Ioannou, 'A decade to mass extinction event in S&P 500', CNBC, June 2014, <https://www.cnbc.com/2014/06/04/15-years-to-extinction-sp-500-companies.html>

Some examples:

- ▶ HMV, a UK entertainment retailer who launched in 1921, failed to invest in its online offering⁷, losing ground to Amazon, Spotify and other music streaming services;
- ▶ Game, a video games retailer who launched in 1991 had about 3,200 staff and 609 stores in the 2000s, but entered into and into administration in March 2012, after they struggled to compete with online retailers and the growing popularity of direct game downloads⁸;
- ▶ *Eastman Kodak Company*⁹. They failed to keep up with many of the innovations that became necessities in the digital age. As film and cameras became obsolete, Kodak plummeted into financial difficulties. Ironically, they had come up with the digital camera in the 1970s, but did not capitalise on it as not to cut into their lucrative film sales. The filed for bankruptcy in 2012;
- ▶ *Clinton Cards* was founded in 1968 and peaked with over 1,100 s stores and 25 percent of the market. However, it crumbled in the face of rivals like Moonpig and Funky Pigeon, which allow cards to be customised and posted online, and went into administration in May 2012¹⁰;
- ▶ *Polaroid Corporation*. Likewise, Polaroid, who became popular for the instant photographs widely used for commercial purposes, ignored digital photography in the 1990s, which led them to file for bankruptcy in 2001;
- ▶ *Blockbuster Inc.* The home movie and video game rental service did not adopt other entertainment options presented in the digital era, including video on de-

⁷ Philip Beeching, The Guardian, 'Why did HMV fail?', January, 2013, <https://www.theguardian.com/commentisfree/2013/jan/15/why-did-hmv-fail>

⁸ Charlotte Jee, TechWorld, 'The UK's best-known brands bankrupted by new technology', March 2018, <https://www.techworld.com/picture-gallery/apps-wearables/eight-big-companies-bankrupted-by-new-technology-3611714/>

⁹ POONKULALI THANGAVELU, Investopedia, 'Companies That Went Bankrupt From Innovation Lag', October 2018, <https://www.investopedia.com/articles/investing/072115/companies-went-bankrupt-innovation-lag.asp>

¹⁰ Charlotte Jee, TechWorld, 'The UK's best-known brands bankrupted by new technology', March 2018, <https://www.techworld.com/picture-gallery/apps-wearables/eight-big-companies-bankrupted-by-new-technology-3611714/>

mand and content downloads, whilst *Netflix* mailed videos to customers saving them the need to visit a physical store. They filed for bankruptcy in 2010;

- ▶ *Nokia* was the biggest mobile phone company globally in the '90s and early '00s and were the first to create a cellular network. During the internet boom, they focussed on perfecting their software rather than trying to understand how data would affect communication in the future. They did not have the courage to lead a new user experience, failed to adapt and, thus, their business failed.
- ▶ *Xerox* were the first to invent the PC, but considered digital to be too expensive and were unwilling to take the risk;
- ▶ *IBM*¹¹ have little or no presence in the personal computer revolution of today;
- ▶ *Blackberry Motion*¹² completely ignored the touchscreen revolution and were fixated on their arched keyboard design. They weren't thinking about the user experience and they went from 50% of the global market share of global devices to 0.0% in 2016¹³. In 2017 they announced they were going to focus on producing software and stop manufacturing phones altogether;
- ▶ *Hitachi*. The Japanese brand was once an electronics giant alongside Sony, Panasonic and Sharp, but they failed to embrace the digital revolution, causing consumers to lose interest in their high price products.

¹¹ Taylor Ryan, Indie Hackers, '50 EXAMPLES OF CORPORATIONS THAT FAILED TO INNOVATE', https://www.indiehackers.com/@Taylor_Ryan/50-examples-of-corporations-that-failed-to-innovate-8b7baa56ca

¹² Katrina Aaslaid, Valuer, '50 EXAMPLES OF CORPORATIONS THAT FAILED TO INNOVATE', November 2018, https://valuer.ai/blog/50-examples-of-corporations-that-failed-to-innovate-and-missed-their-chance/?cli_action=1555885036.177

¹³ Jake Swearingen, Intelligencer, BlackBerry Now Controls 0.0 Percent of the Smartphone Market, February 2017, <http://nymag.com/intelligencer/2017/02/blackberrys-global-market-share-is-now-0-0.html>

Barriers to organisational agility: an internal view

Various studies have been conducted around the topic of organisational agility. The most notable findings include:

- ▶ The International Review of Business and Finance noted that management's reluctance to play a significant role in decision making, investment in non-value adding technology, lack of collaboration, partnership and employee awareness and training were the primary barriers to organisational agility¹⁴;
- ▶ SmartBrief, a leading digital media publisher has pointed out these obstacles to organisational agility: operational silos, organisational resistance, speed of decision-making, unaligned business processes and poor knowledge management¹⁵;
- ▶ Specifically, from a project perspective, a joint study by McKinsey and University of Oxford identified 4 groups of issues that are responsible for the vast majority of project failures.

IT executives identify 4 groups of issues that cause most project failures

Rough distribution by cause of the 45% of IT projects that experience cost overruns (for those with budgets >\$15 million in 2010 dollars), %



IT projects with budgets >\$15 million

Cost overrun, 45% Schedule overrun, 7% Benefits shortfall, -56%

Source: McKinsey-Oxford study on reference-class forecasting for IT projects.

¹⁴. Analysis of the Barriers of Organizational Agility, International Review of Business and Finance ISSN 0976-5891 Volume 9, Number 1 (2017), pp. 7-10 © Research India Publications, https://www.ripublication.com/irbf17/irbfv9n1_02.pdf

¹⁵. Holly Lyke-Ho-Gland, Overcoming the 5 obstacles to organizational agility, November 2016, <https://www.smartbrief.com/original/2016/11/overcoming-5-obstacles-organizational-agility>

Adapting to Change: Inside Out

Organisational agility, at its most basic level, is nothing more than the ability of employees to adopt changes in existing practices and routines, introduced by executive leaders and programme teams through the means of strategic initiatives.

Businesses adapt to change by investing in technologies that enable them to:

- ▶ **Acquire enhanced market intelligence and improve decision making** (e.g. Salesforce);
- ▶ **Improve the performance of existing systems and processes** (e.g. infrastructure upgrades, ERPs) so that the business can operate more efficiently;
- ▶ **Collaborate more effectively** (e.g. Skype for Business)

In each of these scenarios, organisations introduce change by leveraging the combined talents of a small, yet highly talented and savvy, group of professionals. These project or programme teams, alongside executive sponsors and programme leaders, form the driving forces behind any change or transformation initiatives. Forming effective groups who have the relevant knowledge and influence needed to plan, execute, adapt, persist, hold and communicate the vision, and its benefits, is a minimum prerequisite for creating lasting change.

Operationally, most functional areas follow long-ingrained, repetitive processes to achieve their key performance indicators. Naturally, any variation from these set procedures, or deviation in achieving KPIs will, inevitably, be encountered with resistance.

Executive sponsors and programme teams have the significant responsibility of ensuring the technology behind the initiative is functional and, importantly, utilised effectively by the entire organisation.

Over the past two decades, many organisations have decided to enlist the help of change managers, to help them realise the value of their initiatives, and guide them in effectively communicating this value across the board. The ultimate goal is to increase understanding and acceptance so the organisation, and its employees, gain maximum benefit from their investment in change.

Today, businesses leverage the discipline of change management in an attempt to become more responsive and adaptable. However, effective change management is only one of the three capabilities required for successful strategy execution.

Although the exact figures vary, based on the research methodologies used, the results of many studies are directionally definitive: there is extensive room for improvement when managing change.

- ▶ An IBM study of more than 1,500 change management executives from 15 countries, revealed that nearly 60 percent of projects aimed at achieving business change did not fully meet their objectives¹⁶;
- ▶ A study by Towers Watson found that only 25% of change management initiatives are successful over the long term¹⁷;
- ▶ David Leonard and Claude Coltea from Gallup assert that 70 percent of all change initiatives fail because change agents overlook the role front-line managers play in the success of the initiative¹⁸;
- ▶ A seminal study by Harvard Business School professor emeritus John P. Kotter revealed that 70 percent of transformational change initiatives fail;
- ▶ A 2014 Deloitte study of more than 5,000 innovations over the past 15 years calculated an aggregate success rate of only 4.5%¹⁹

¹⁶. 'IBM Global Study: Majority of Organizational Change Projects Fail', October 2008, <https://www-03.ibm.com/press/us/en/pressrelease/25492.wss>

¹⁷. Victor Lipman, Forbes, 'New Study Explores Why Change Management Fails - And How To (Perhaps) Succeed', September 2013, <https://www.forbes.com/sites/victorlipman/2013/09/04/new-study-explores-why-change-management-fails-and-how-to-perhaps-succeed/#5f0610de7137>

¹⁸. White Paper, Executive Development Blog, UNC Executive Development, 'Why Change Initiatives Fail', November 2015, <http://execdev.kenan-flagler.unc.edu/blog/why-change-initiatives-fail>

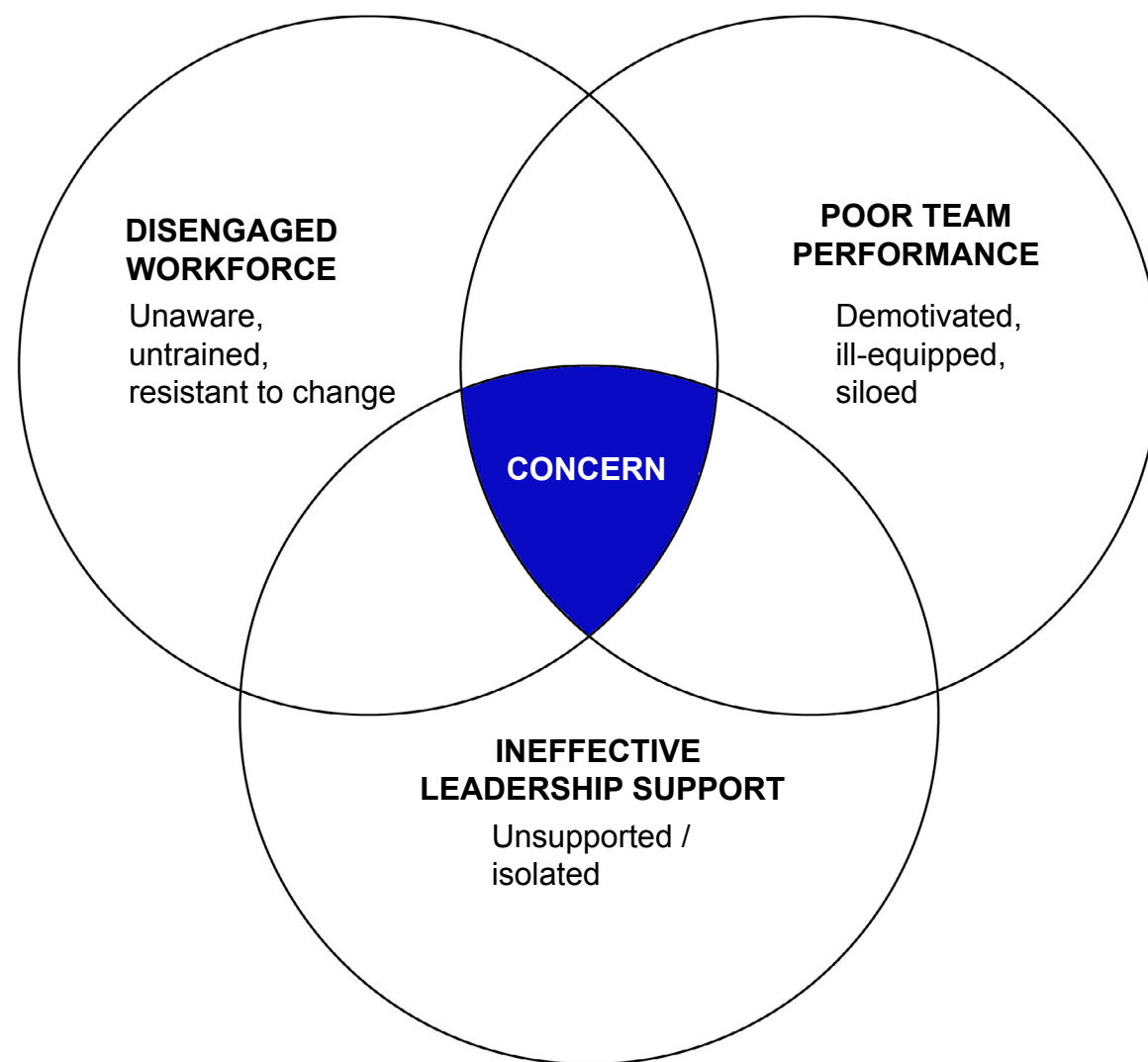
¹⁹. DAVID A. SHORE, Harvard University, 'Making Change Happen: Five Keys to Driving Successful Change Initiatives', <https://www.extension.harvard.edu/professional-development/blog/making-change-happen-five-keys-driving-successful-change-initiatives>

The 3 capabilities of effective strategy execution

The primary goal of any business initiative is achieving a return on investment.

Whilst clarity of vision and strategy are fundamental guiding principles, effective programme execution is equally as important, as it provides tangible benchmarks to indicate where change is, or in some cases, isn't, being made.

Many initiatives fall short in at least one of these readiness areas:



► **Ineffective Leadership Support.** Senior leaders support the change, but underestimate the strategic involvement required at the different stages of the initiative. Although consultants and team members play a pivotal role they can lack enough gravitas to ensure the change is supported strategically and consistently to achieve ultimate business buy-in and adoption.

► **Poor Team Performance.** They struggle to meet performance objectives and are unclear about the role they play in obtaining business buy-in. They are either unwilling, or ill equipped, to engage with the business in a way that is clear, effective and free from technical jargon. They focus on deliverables, rather than well defined outcomes, and underestimate the level of support required to embed the change. They struggle to manage business expectations and can become defensive towards dealing with its demands. Silos develop.

► **Disengaged workforce.** The workforce does not sufficiently understand the relevance of the initiative, how it will affect them and how they, and the business, will benefit from it. They grow cynical and believe that it is simply an additional workload that they will see no benefit from.

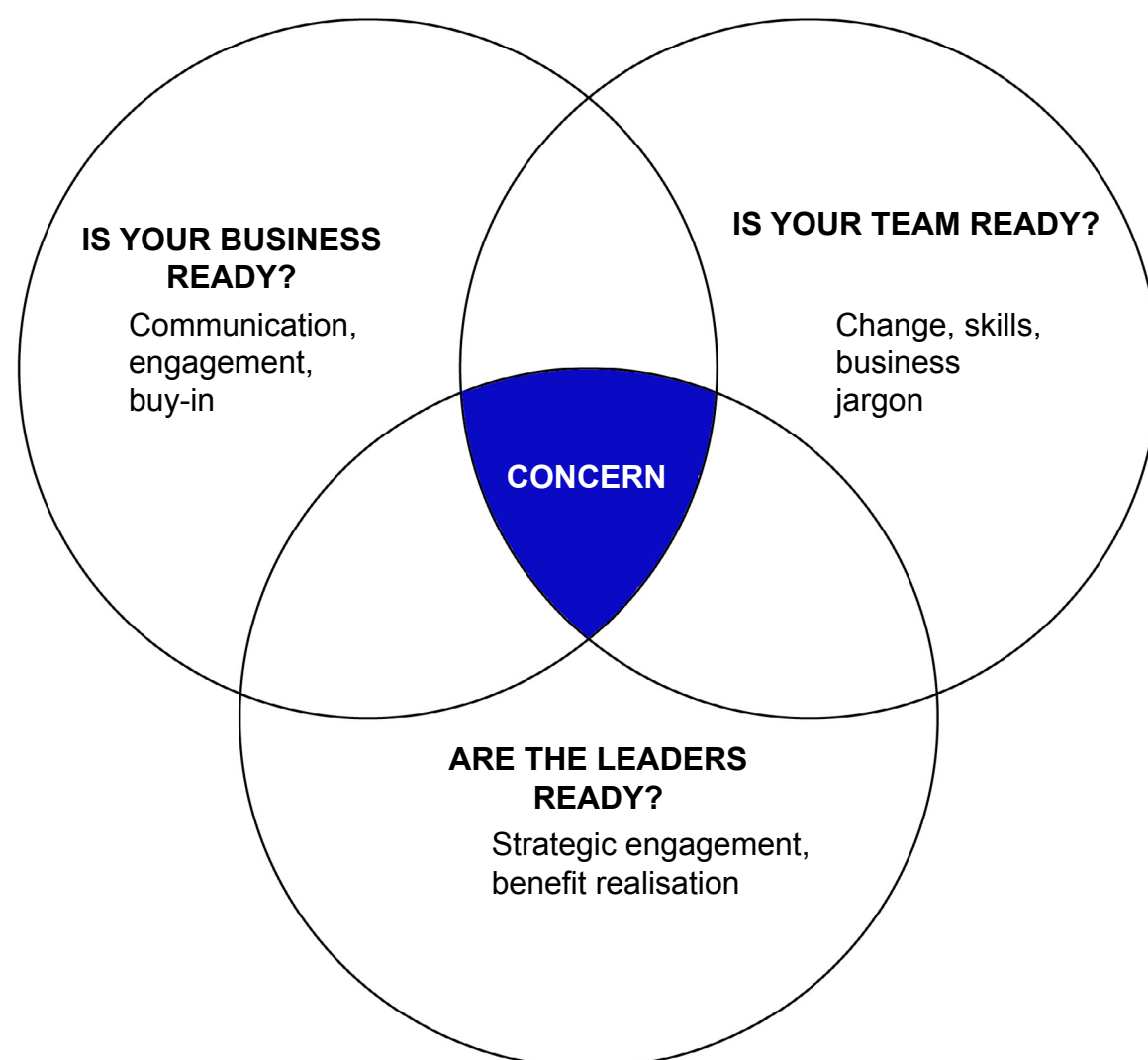
Of the three areas, change management and business engagement are often prioritised over team performance and leadership effectiveness.

Solution - The Value Realisation Method®

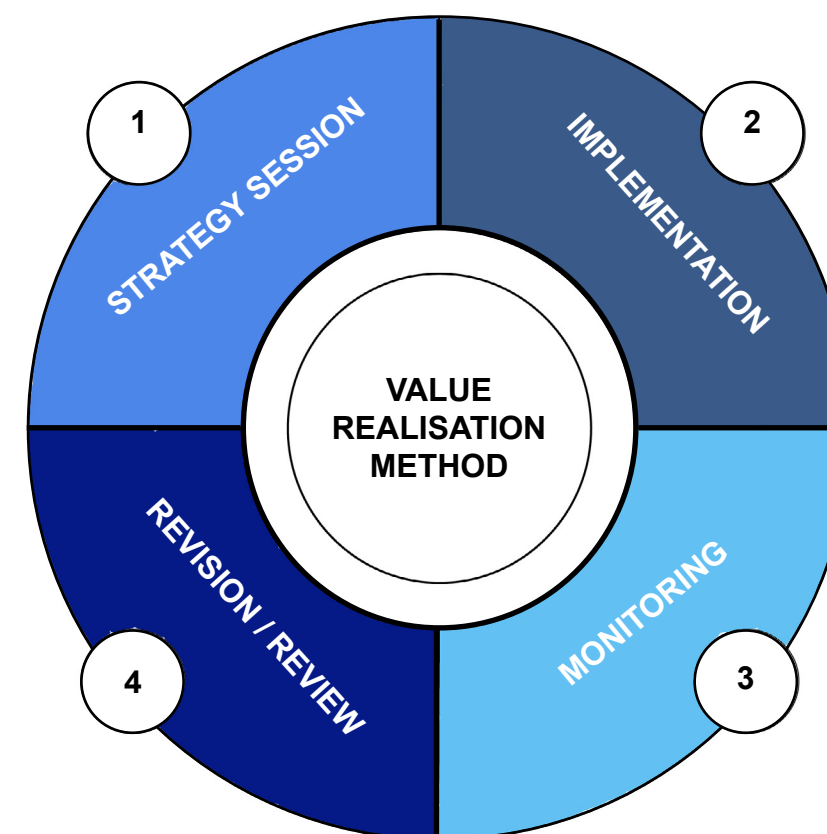
Organisational change must be approached strategically, holistically and practically. Leadership, engagement and team performance have become the foundational elements of successful change.

The Value Realisation Method® assumes clarity of vision and a well-defined business strategy is already in place. It assesses, monitors and develops the ability of executives and programme teams to implement change in alignment with the goals of a specific initiative.

It is focussed on identifying areas of concern surrounding leadership, performance and engagement and on developing ongoing capability in service of effective project execution.



The method is implemented by using a repeatable 4-step process:



- ▶ **Strategy Session:** This is designed to highlight risks, provide recommendations and other suitable options, and is followed by a proposal;
- ▶ **Implementation:** Beta and rollout stages;
- ▶ **Monitoring:** Monthly monitoring using the Value Realisation Scorecard®;
- ▶ **Revision / Review:** Further tailoring prior to the end of programme, based on results.

Value Realisation Scorecard®

Each capability (leadership, performance and change planning) is defined, monitored and adjusted using the Value Realisation Scorecard®. The scorecard defines, with further granularity, the 13 components of successful change.

ARE YOU READY?	AREA		COMPONENTS			
	Leadership	Benefit Realisation			●	
	Leadership	Business Influence		●		
	Leadership	Team Readiness	●			
IS YOUR TEAM READY?	Performance	Accountability		●		
	Performance	Commitment			●	
	Performance	Skills				●
	Performance	Energy / Focus			●	
	Performance	Buy-In		●		
	Performance	Clarity		●		
IS YOUR BUSINESS READY?	E2E Change Management	Business Buy-In			●	
	E2E Change Management	Business Impact				●
	E2E Change Management	Business Readiness				●
	E2E Change Management	Business Engagement				●

LEADERSHIP

L1: Benefit Realisation. The benefit of the initiative, both in financial and operational terms, from a leadership and a business point of view (including control and efficiencies), are clearly articulated and consistently communicated;

L2: Business Influence. Strategic engagement, guiding coalition, clarity of vision, truthfulness of purpose at each engagement touchpoint;

L3: Team Readiness. Cohesive, aligned and focussed team effort. Vision and strategy can easily be explained, without using technical jargon, in a way that is meaningful to the business;

TEAM PERFORMANCE

P1: Accountability. Each team member has clear accountabilities, pertinent to their area of expertise and key individual business stakeholders;

P2: Commitment. Keen willingness to commit to an agreed and shared outcome, and challenge current assumptions whilst leveraging complementary skill sets;

P3: Skills. Core change skills are actively developed and used daily. These include decision making, effective communication, negotiation, leadership, conflict management, prioritisation, resistance management and dealing with uncertainty;

P4: Energy / Focus. Complete, monitor and review outcomes, as opposed to tasks. Tasks do not have tangible value, per se, but outcomes yield results;

P5: Buy-in. Team members are clear, enthusiastic and aligned to the purpose of the initiative and can influence a variety of stakeholders to buy into its benefits;

P6: Clarity. Comprehensive understanding of the initiative's impact, its implications for the business and the level of effort required to engage with the business.

CHANGE MANAGEMENT & ENGAGEMENT

CM1: Business Buy-in. The business fully understands the change and its benefits, endorses the effort and actively provides resources to support it.

CM2: Business Impact. Impacted stakeholder groups understand their responsibilities and the level of commitment required to support the initiative, in addition to their current responsibilities.

CM3: Business Readiness. Tailored, pertinent and essential information, and training and support are provided without overwhelming the business with unnecessary details.

CM4: Business Engagement. Multichannel and qualitative engagement touch points are fully utilised through consistent messaging and timely engagements.

Advantages of using The Value Realisation Method®

1. ***Builds organisational capability, eliminates costly reiterations, addresses root causes.*** Change adoption and engagement efforts fail because the programme underestimates the importance of communicating the value and the benefits of the initiative in a way that is clear, transparent and compelling. Lack of business buy-in is rarely due to staff turnover, system outages or delays in implementation. The method addresses programme readiness and focusses on developing change capabilities;
2. ***Leverages historical successes and existing resources.*** It highlights strengths and weaknesses from historical successes and leverages past lessons learned;
3. ***Aligns to existing or new initiatives, impacts the overall culture in the organisation.*** It eliminates the guesswork and the vagueness involved in ‘managing change’, as it focusses on one initiative at a time and steers the organisation through a focussed effort;
4. ***Monitors readiness throughout implementation.*** It provides course adjustments and intervention strategies throughout the implementation and monitors adoption risks in a timely fashion;
5. ***Fills the gap between strategy and execution by providing operational alignment.*** This method trains programme teams to live by the vision and operationalise the strategy through accountability and a repeatable engagement process;
6. ***Integrates change management, leadership development and team performance in a single solution.*** It supports new and existing initiatives, as well as new and existing managers, leveraging all 3 readiness capabilities;
7. ***Promotes accountability and commitment to the end result.*** It is delivery based and outcome oriented. The scorecard monitors actual behaviours.

Conclusions

It is becoming increasingly apparent how digital and technological transformations are radically revolutionising the business landscape. Large organisations are attempting to adapt their structures, systems, technologies and workforce to evolve in order to continue to meet and exceed their customers’ ever-changing expectations.

Businesses with a well-defined vision and strategy acknowledge the importance of execution in order to yield a return on their investments.

The value realisation method fills the strategy execution gap and provides a holistic and highly practical methodology that boosts the capability of a limited, yet highly influential, number of key stakeholders, including executive sponsors and the programme teams themselves, and empowers them to influence adoption throughout the business, as well as engagement, and, ultimately, organisational agility and culture.

At ***Transforming Cultures***, we provide consultancy, training and coaching to executive sponsors, programme leaders and teams executing change initiatives.

We help our clients realise the full potential of their investments through the development of a high performing leadership team, as well as the implementation of a practical and effective engagement process. Following our assessment, we design tailored intervention strategies aimed at developing effective programme leadership, high performing teams and an engaged workforce.

FURTHER READING

- McKinsey, ‘How to beat the transformation odds’, April 2015 Survey, <https://www.mckinsey.com/business-functions/organization/our-insights/how-to-beat-the-transformation-odds>
- Carolyn Dewar and Scott Keller, McKinsey, ‘The irrational side of change management’, April 2009, <https://www.mckinsey.com/business-functions/organization/our-insights/the-irrational-side-of-change-management>

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