

Chapter Two

Why Change Fails or Succeeds

THE LAST DECADE HAS SEEN AN INCREASING FLOW IN THE amount of research on organizational change. Most articles concentrate on one type of change, such as TQM-inspired quality improvement or mergers. We, on the other hand, have searched for commonalities and differences across various types of organizational change. Our goal is a robust methodology for change management that will accommodate all types of organizational change. Most publications also tend to concentrate on one set of issues, such as barriers to change or common mistakes in implementing a certain type of change. While our main interest is the inhibitors and enablers of change, we also looked at such issues as the sponsorship of change, the drivers (or reasons) for the decision to undertake large-scale change, and the evaluation of change. These other data helped us understand the link between specific enablers and inhibitors and success and failure.

CONQUERING ORGANIZATIONAL CHANGE

The professional literature suggests that up to 75 percent of change efforts end in failure. Why is organizational change so difficult? As consultants who specialize in helping organizations manage change efforts, we had concluded that most failures occur in the implementation phase (not analysis or design), and we thought we knew a lot of the reasons. What we didn't know was:

- Had we identified all the important reasons?
- Were some reasons a great deal more critical than others?
- Did these reasons vary across different types of organizational change efforts? For example, were the barriers to successful re-engineering similar to those for culture change?
- What were the key enablers, and did they vary across different types of change efforts?
- And, if we could answer these questions, what were the implications for our methodology?

This chapter describes the research we undertook to answer these questions. We first describe our research design, and then we present nine propositions that summarize our most important findings. Each proposition is supported with data, and we explain the implications for change management.

It may seem obvious, but the over-arching message from our research is this: *change is difficult to manage because it is complex*. If you are faced with designing and implementing a major change effort, your first challenge is to define all aspects of organizational life that will be impacted by the change. The second challenge is to choose tactics that will maximize the number of positive factors (change enablers) and minimize the number of negative factors (barriers, inhibitors) that affect the change process. We believe that our findings lay the foundation for meeting these challenges.

THE RESEARCH BEHIND THIS BOOK

We asked 210 North American managers to complete a questionnaire, found in Appendix A, about why change efforts fail or succeed. In replying to the questions, respondents were asked to think of one specific change effort that had occurred in their organizations in the last two years. Questions related to the type of change, respondents' involvement in the change, and their perceptions of its failure or success, among other things.

Our respondents were drawn from client groups, professional audiences and colleagues. Some responses to the questionnaires were obtained through face-to-face and telephone interviews, others by proctored group sessions, still others via e-mail. Respondents typically worked as managers or executives (42 percent), training managers (16 percent) or consultants (14 percent). They described themselves as project team members (55 percent), employees affected by the change (30 percent) or sponsors (11 percent). They primarily worked in utilities or communications (22 percent), manufacturing (22 percent), health services (14 percent) or "hi tech" (12 percent). The pool of respondents represented company sizes ranging from international conglomerates to small software houses.

WHAT WE FOUND: PROPOSITIONS

We summarized the results of our research in 9 simple propositions. These propositions, listed below, became the drivers for specific tactical strategies that you can employ to maximize your chances of conquering organizational change.

1. About 70 to 75 percent of major organizational change efforts fail to meet the expectations of key stakeholders.
2. Many change efforts involve more than one type of change and are not limited to reengineering, culture change and restructuring.

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3. Executives, managers and employees most often think of reengineering, culture change and restructuring when they think of major organizational change.
4. Change efforts have the highest likelihood of success when they are driven by visible support from the sponsor, when employees know what they have to do to support the change, and when adequate resources are dedicated to the change.
5. Change is most likely to fail when driven by ineffective, missing or conflicting leadership.
6. Failed change is often associated with a lack of well-articulated goals and planning.
7. From the employees' perspective, change is most effective when it is sponsored by top management *in conjunction* with middle management.
8. Financial, operations and customer satisfaction data are most often cited as measures of successful change, while opinion data are most often cited for change perceived as failing.
9. For the most part, the critical positive and negative factors that affect change efforts are common across different types of organizational change.

In this chapter, we'll discuss each proposition in more detail. The propositions should be considered "working hypotheses." Readers should keep in mind that the propositions are statements about organizational change *in general*, and are not meant to apply to specific change efforts.

PROPOSITION 1

About 70 to 75 percent of major organizational change efforts fail to meet the expectations of key stakeholders.

The professional literature contains a number of studies about the failure of organizational change efforts. The average success rate is about 30 percent across all types of organizational change. Our research corroborates the published reports, 20 of which are summarized in Appendix B. Our research showed an average success rating of about 25 percent.

Conclusion:

This first proposition, because it indicates just how large the problem is, is the reason for the book itself. Imagine the money spent designing and implementing change in your organization, and the organizations throughout your city, the country, and the rest of the world. If 70 percent of change efforts are failing, then an astonishing amount of money and human effort is being wasted. The dismal success rate suggests that something in the traditional way of dealing with or defining change is inadequate. Plainly, a need is not being fulfilled, whether that be planning, resources (time, money, or people), or management attention. As one colleague explained to us, “some executives declare victory when they approve the project plan and act as if implementation of the plan is a foregone conclusion.” It clearly is not.

This finding also indicated to us that there may be a great number of change efforts that began with excitement only to stall halfway through. With that in mind, we created additional tactics for stalled efforts. If organizational change is indeed this difficult, many organizations may be in need of guidance to get the change back on track. Their problems would need to be addressed also, and in Chapter 7 we will discuss strategies for reviving stalled change efforts.

PROPOSITION 2

Many change efforts involve more than one type of change.

When asked to describe the change effort, respondents could check more than one option. Forty percent of all projects were coded with multiple types of change. The types most often reported in combination with other changes were TQM-driven change (87 percent), strategy deployment (86 percent) and culture change (75 percent). These data suggest the complexity of change projects and the resulting challenge to project planning.

Ironically, mergers and acquisitions, the type of change that could be expected to occur most often with other changes just because of the complexity involved, accounted for only 49 percent. If this percentage is an underestimate, we suggest two possible explanations. First, our sample may under-represent people who have been involved in mergers. Secondly, mergers may cause such massive change in all aspects of organizational life that respondents assumed that checking off other types of change was redundant. There were four projects cited that combined six or more types of change, and all involved mergers.

Conclusion:

Since change tends to be complex, successful change will depend on addressing a range of issues. For example, when dealing with a merger, organizations should also address process management, cultural alignment, and structural alignment. Thus, a successful strategy for change will need to contain general elements common to all successful initiatives. Another important implication of this proposition comes to light when viewed in combination with the next proposition.

PROPOSITION 3

Executives, managers and employees most often think of reengineering, culture change and restructuring when they think of major organizational change.

When given a list of ten types of organizational change and asked to “think of a major effort by your organization to improve its performance,” our respondents most frequently identified process improvement or re-engineering (36 percent), culture change (28 percent), and re-structuring of organizational units (23 percent).

Conclusion:

First, any model for organizational change should accommodate the most common forms of change. We believe the model to tactical change management in Chapter 3 accomplishes this.

Second, when we viewed this proposition in combination with Proposition 2 (change is most often a combination of several types of change and not limited to reengineering, culture change or restructuring), we saw a more interesting possibility. These two findings indicate that some managers and executives may not even recognize that significant change is occurring or forthcoming. If this realization is missing, managers or executives won’t allocate the necessary resources or planning for a successful change, and therefore people aren’t going to treat what’s happening as a major initiative. Organizations often undertake major change efforts without understanding the full range of implications, and this means they are contributing inadvertently to their own failure. We feel that this is an extremely important discovery.

PROPOSITION 4

Change efforts have the highest likelihood of success when they are driven by visible support by the sponsor, when employees know what they have to do to support the change, and when adequate resources are dedicated to the change.

Respondents were given a list of eighteen “positive” factors and asked to check the items that they felt accounted for the success of the project. Figure 2.1 presents a breakdown of factors from most to least significant. The highest correlations were for visible sponsor support throughout the project, people understanding their individual responsibilities, and adequate staffing and funding. If you would like to see the correlation data, go to Appendix B.

FIGURE 2.1 CORRELATIONS OF POSITIVE FACTORS WITH PROJECT SUCCESS

Factors that were VERY highly correlated with success (p=.0005):

- *Visible* support from the sponsor throughout the project.
- People understood what they had to do in order to make the change work.
- The effort was adequately staffed and funded.
- Dedicated, capable project team
- Strong project manager.
- Other organizational priorities didn't get in the way.
- Progress toward the goals was tracked and publicized.

Factors that were highly correlated with success (p=.01):

- The change was explained to everyone.
- *Continued* support of the sponsor throughout the project.
- The change was kept small and manageable.
- Fair treatment of employees.
- The sponsor had the support of other key executives.
- There was a detailed plan.

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Conclusion:

The data pointed to three themes that were instrumental in developing the tactics. One theme was *executive leadership*, as represented by such items as continued and visible support from the sponsor, the support of other executives, and protecting the project from other priorities. A second theme represented the *needs of employees*, as indicated by the significance of fair treatment and clear expectations and roles. The largest cluster had to do with *project management*. These items included adequate staffing and funding, a capable project team and project manager, tracking and publicizing progress, explaining the change to all stakeholders, making the project seem small and manageable, and detailed planning. These three themes would need to be reflected, not just in a few tactics, but in the overall strategy for success.

PROPOSITION 5

Change is most likely to fail when driven by ineffective, missing or conflicting leadership.

Respondents were also given a list of twenty “negative” factors and asked to check which items affected the project, even if the project was more or less successful. Figure 2.2 shows the items ranked in terms of perceived negative impact on change success. Sixteen of the factors were rated as significant across all types of change. The highest correlations were for: a sponsor’s departure, an uninvolved or ambivalent sponsor, no follow-through, lack of support from key executives or other departments, vague goals, the apparent lack of a plan, and no clear leader. These correlations pointed to breakdowns in leadership support. Other items also involved leadership, such as executives being more concerned about other issues and clashing over control.

FIGURE 2.2 CORRELATIONS OF NEGATIVE FACTORS WITH PROJECT FAILURE

Factors that were VERY highly correlated with failure ($p=.0005$):

- Sponsor left.
- Sponsor was uninvolved or ambivalent.
- Key executives or other departments did not support the change effort.
- The goals seemed vague.
- There didn't seem to be a plan.
- No one seemed to be in charge.
- Problems not communicated to the sponsor.
- Executives were more concerned with other issues.
- People didn't understand the reasons for change.
- Vendors/suppliers failed to deliver product or service promised.
- The change clashed with the way things are done in your organization (i.e., the culture didn't support the change).

Factors that were highly correlated with failure ($p=.01$):

- No attempt to keep people informed about progress.
- Executives clashed over control of the change effort.

Factors that correlated with failure ($p=.05$):

- Resources were diverted to other priorities.
- Schedule was unrealistic; frequent schedule changes.
- Other

Several of the factors related to project management, such as problems not being communicated to the sponsor, failure of vendors/suppliers, and an unrealistic schedule. Two items implied communication problems: people didn't understand the reasons for the change and there was no attempt to keep people informed about progress. Another significant but difficult-to-categorize correlate was the perception that the change clashed with the way things "are done in the organization."

Conclusion:

The ranking of negative factors supported the conclusions in Proposition 4 regarding the factors that promote successful change. Again we recognized a series of themes that would influence the change management tactics. *Project management* was a significant area. Our data pointed to the critical role and activities of the *sponsor*, but also suggested that other executives play critical supporting roles. We saw indications of the *needs of employees* affected by the change, and the necessity of ensuring continued sponsorship. Executives come and go on a fairly regular basis in most organizations, which creates the need for a systematic approach to maintaining sponsorship that eliminates or lessens reliance on a few select individuals. The implementation plan should also provide for replacement of these key players should they leave the organization.

This proposition also prompted us to consider the importance of the speed of implementation. Given the extent and variety of pitfalls that can plague a change effort and the rate of failure evidenced by Proposition 1, we concluded that finding ways to accomplish project goals as quickly as possible would help the project gain momentum, and consequently, buy-in.

PROPOSITION 6

Failed change is often associated with a lack of well-articulated goals and planning.

Figure 2.2 shows that two of the strongest negative factors involved the planning process: “The goals seemed vague” and “There didn’t seem to be a plan.” In contrast, detailed planning had only a modest correlation with project success while “very specific objectives” was uncorrelated with success. Factors associated with the *deployment* of the plan, such as adequate staffing and funding, were more strongly related to successful change.

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Conclusion:

While thorough planning is desirable – and probably essential, it does not guarantee successful change. On the other hand, poor or no planning appears to be a strong contributor to failure.

PROPOSITION 7

From the employees' perspective, change is most effective when it is sponsored by top management *in conjunction* with middle management.

Fifty percent of the project sponsors were identified as being in the two top executive positions (CEO or COO), while “Other High Ranking Executives” and “Division/Department Heads” were seen as the sponsors for 47 percent of the change efforts. A corollary is that the CEO and/or the COO tended to get the credit for very successful change efforts and also the blame for failed efforts. CEOs and COOs were most often cited as the sponsor for the most and the least successful change projects.

Conclusion:

There are two focal points for political power: the senior level controls the organization's priorities and investment strategies, while the departmental or divisional level controls assignments and balances competing priorities for resources (change versus other responsibilities). The relationship between these two power bases becomes a concern in managing change efforts.

Unless the senior management team is able to create an environment in which the employee perception is that middle managers *and* executives support and drive the change, there is a potential for failure. These two power sources must be aligned and working toward the same goals if the organizational change effort is to have any chance of success.

PROPOSITION 8

Financial, operations, and customer satisfaction data are most often cited as measures of successful change, while opinion data are most often cited for change perceived as failing.

After rating the success of the change effort, respondents next answered the question “what information would you cite to describe the degree of success or failure?” On average, they identified three types of data from a list of twelve options. The most frequently selected options were: what people inside the organization thought of the change (59 percent), operations data, such as quality or productivity measures (48 percent), and measurement of customer satisfaction (42 percent). More interesting is the contrast between highly successful efforts (top quartile) and very unsuccessful efforts (bottom quartile) of our 210 projects. Quantitative data predominated for the top quartile projects while qualitative data were cited more often for the failed projects.

Conclusion:

Why this contrast? One possibility is that successful projects have a more thorough evaluation plan with quantitative measures. A second possibility is that unsuccessful efforts are obvious from the qualitative indicators, and no rigorous evaluation is needed or attempted.

Unless you can point to hard quantifiable data that shows the change project’s success, and unless this data has been communicated appropriately within the organization, employees may perceive the change effort as failing even though it is in fact succeeding. A successful approach to change should use a few critical and quantitative measures, and have a measurement plan in place before implementation begins. This measurement plan should also be communicated to the stakeholders most directly affected by the change (most especially, key opinion makers) prior to implementation.

PROPOSITION 9

For the most part, the critical positive and negative factors that affect change efforts are common across different types of organizational change.

With a few exceptions, the factors that were significant to project success across the total sample of 210 projects also significantly correlated with success for individual types of organizational change. We took the total sample and categorized each project into the following five types of major organizational change: process improvement or reengineering, culture changes, re-structuring, mergers and acquisitions, and technology changes. We then examined which positive and negative factors significantly correlated with each project's success or failure. For the 18 positive factors, there were 42 total significant correlations for all five change types combined. Fourteen factors, however, accounted for almost all of the statistically significant correlations: 39 out of 42. The trend was even more pronounced among the negative factors. Out of the 18 negative factors, 11 accounted for 36 of the 39 significant correlations cited by our respondents. It seemed to make no difference what type of change an organization was facing. In other words, the research strongly indicated that the major factors influencing the success or failure of any type of change effort were the same!

Conclusion:

Why is this finding so important? If the facilitators and barriers for change are pretty much the same across the various types of change, then the strategies and tactics for managing change ought to be similar across the various types of organizational change. So only one approach to change management is needed. Conversely, the approach should accommodate a variety of organizational requirements.

This conclusion underlies our approach to the planning and managing of change. Our goal was to create a management framework that addressed the basic and essential requirements of change while allowing for the unique requirements of particular change efforts.

WHY CHANGE FAILS OR SUCCEEDS

These nine propositions were the basis for the tactics we will present in Chapter 4. In an ideal world, an organization would employ all ten tactics for every change initiative. We recognize, however, that your world may not offer the luxury of time. With that in mind, the following chapter presents you with a methodology for selecting the appropriate tactics for your next change effort.

