The Ultimate Guide to Business Transformation Failure And How to Avoid It

Change is an essential part of business. Competitors, customers, industries and technology are rapidly evolving in markets meaning companies must continually reinvent themselves to retain market share and grow. This is something that will never go away.

The trouble is that companies – especially large ones – are often poorly equipped to deal with change. Today's requirement for transformation and the speed at which it is required is particularly difficult.

So there are plenty of examples of 'what not to do'. But why would you want an ultimate guide to failure, anyway? Shouldn't we be focusing on success instead?

"Failure should be our teacher, not our undertaker."
- Denis Waitley, author of The Psychology of Winning

It's in studying failure that we learn what to avoid. Amazingly, many organizations continue to make the same mistakes over and over again when they're well-known to lead to undesirable outcomes.

Here's what will cause your organization's business transformation to become a statistic, and what you can do about it before you even press 'go'.

FAST TRACK TO FAILURE #1:

TRYING TO TAKE SHORTCUTS

There are times when shortcuts can serve you well: when you know the country lanes better than Google Maps, when you've got ready-rolled pastry to hand, and when you can duplicate a pitch for another client. Then there are times when shortcuts deliver you nothing but dramas, difficulties and setbacks over the long-term. Think 'investing' in a fad diet that six months later leaves you heavier and less motivated than when you started. Or the business transformation plan that has a lot of key features stripped out to make it more 'streamlined' and ultimately has no positive impact but does leave staff lacking trust in the entire organisation. Business transformation requires a full commitment and any shortcuts taken will only mark the beginning of failure. Developing and rolling out a solid internal communication strategy is one feature that is often stripped out in an effort to shortcut to success.

A 2015 CIO.com article outlined that 'business transformation programs fail because of lack of awareness, trust and structure.' And that the three factors for creating awareness are 'communication, relevance and acceptance.' Eliminate any of these features from your transformation strategy and you're sowing the seeds for failure. Awareness and communication brought down to their lowest common denominator, mean – what's in it for me. And CIO.com go on to explain that *'when [employees] have reached the point where they can flawlessly articulate and share the purpose with others, you know you have a successful communication strategy.'*

2013 analysis from global management consultancy BCG found that organizations must commit wholly to business transformation in order to deliver results. They divide the transformation process into two clear 'chapters': the first chapter is a 'phase of cost cutting… the fundamental goal is to do more with less.' In the second chapter the focus is growth and innovation, delivered by a fresh strategy, business model or vision, all of which is continuously reviewed and refined. What BCG concluded from their analysis is that organizations that do not

commit enough in the first chapter will ultimately fail. A sad but inevitable case study from their analysis focuses on Kodak who did not address either chapter thoroughly enough: they took insufficient and repeated cost cutting steps that 'degraded morale and failed to attract talent', then released inadequate resources to truly support the new business strategy which stifled new projects and left the new business model floundering.

How can you avoid falling into this trap?

Any business transformation plan needs to be sufficiently supported by senior management, financial resource, a solid communication strategy and processes & structure that can power the roll out. At the initial stages, the managing team needs to be clear that a transformation takes more than a clever name, a few quick wins and a hope for the future. The plan must be expected to stretch over the long-term and be flexible enough to adapt to changes along the way. Any suggestions for streamlining, whether it's in the area of communication or elsewhere, should be seriously evaluated and the full consequences understood. The proposed shortcut might land your organization further back than when you started.

FAST TRACK TO FAILURE #2:

NOT INVOLVING EMPLOYEES – ESPECIALLY FRONTLINE STAFF

Some business transformations seem to take on an air of mystique. Access to information is on a 'need to know' basis. Project teams huddle in dark corners of the organization and only seem to emerge when they need something or to offer a pronouncement of some sort.

Such cultures of secrecy and one-way communication are not only counter-productive, but evidence shows that they are almost a sure-fire way to guarantee failure. Uncertainty about what changes are coming – and the feeling that leadership doesn't care about employees' views – will only create rumours and disgruntled chats at the water cooler. Employees start to distrust leadership and fear what might be coming next; distraction from performing their current roles to a high level and a desire to sabotage the forthcoming changes are an inevitable result.
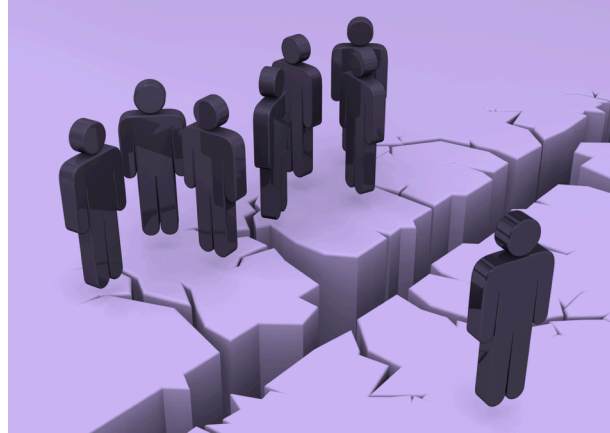
On the other hand, when leaders engage frontline staff and help them take the initiative to drive change, the chance of success is dramatically improvement. A 2008 McKinsey survey on performance transformation, for instance, *found a 70% success rate for transformations where leaders ensured that staff members felt a sense of ownership and a 71% success rate when those staff were actually encouraged to make the changes happen themselves.* (But the best was using both approaches, according to the same survey, when success rates rose to 79%).

The benefits of engaging staff throughout the process of transformation are myriad. Frontline staff are often in the best position to spot how the transformation will impact on the customer and may suggest new ideas that couldn't be cooked up in corporate headquarters. Further, when it comes to actually sustaining the changes that have been made during the transformation, an engaged workforce that has helped the company transform, will be much more invested in seeing the initiative succeed. And finally, when frontline staff are engaged throughout the process the barriers to adoption slip away as staff both understand why the changes have been made and probably even had a part in making them.

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NOT INVOLVING EMPLOYEES – ESPECIALLY FRONTLINE STAFF

So what are practical ways of engaging your staff?

While there are many different ways of engaging staff, the most important is to create opportunities for staff to share their views and opinions and also hear directly from leadership – rather than the rumour mill – what the future holds for the company. These might be in the form of townhall meetings, workshops, online discussion forums – the sky's the limit and you'll be best place to figure out what works best for your company culture.

No matter what approach you take though, it's time to get the business transformation team out from that dark corner!

SENDING CONFLICTING MESSAGES

In any scenario, conflicting messages create difficulties. By contrast, clear communication can be the key catalyst to achieving goals. If messages are disparate – particularly from a strategic or senior level – then the ripple effect is significant, leading to misaligned teams, overruns, misallocation of budget, lack of governance and accountability, and ultimately project failure. Of course mistakes happen and there can be misunderstandings about deadlines, priorities or deliverables, and in those circumstances the key is to quickly and effectively re-establish the correct facts and expectations.

When corporate communication is clear, synchronized and supported by senior management it has the potential to be a very powerful tool in the transformation kit.
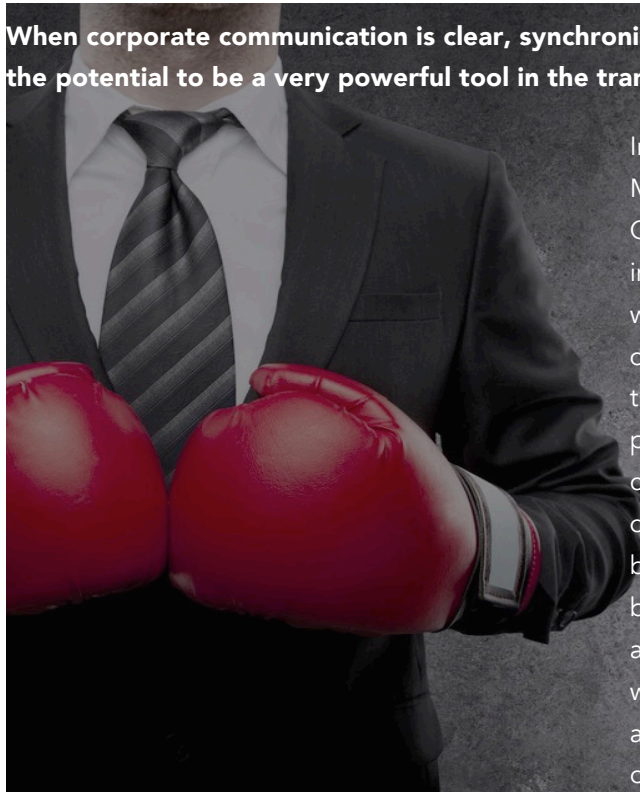
In their 2011 study into digital transformation, the MIT Center for Digital Business and CapGemini Consulting identified three key challenge areas: initiation, execution and governance. The issues within the area of governance include 'coordination difficulties across business units or processes' and the study includes examples of transformation projects that have stalled due to these internal conflicts. The study also highlights that a particularly difficult conflict is between new and traditional businesses or processes which can mean that some business units lose while others gain. This is not just about messaging, but the understanding of the whole shift that an organization is trying to achieve, and the motivation, implication and desired outcomes for that transformation.

The study goes on to outline the communication techniques that can reduce 'organizational resistance.' Firstly move to 'enterprise-wide large scale communication'. Secondly, develop a two-way communication model that allows the workforce to engage rather than simply receive the information via 'broadcast. These two recommendations, combined with digital communication options – video conferencing, internal social networks, wikis, and more, provide the opportunity to eliminate the risk of unclear or conflicting messages working their way through the organization.

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FAST TRACK TO FAILURE #4:

SENIOR MANAGEMENT NOT WALKING THE TALK

Ivory towers, closed-door meetings, them-and-us. The challenges of having a senior leadership team that are elitist and separated from the workforce are innumerable. When that scenario exists in the context of an important business transformation those challenges will be exacerbated and the transformation severely jeopardised.

In an article based on their 'Leading Change' interviews, McKinsey identified a number of factors that separate the CEOs who lead a transformation from those that do not. They include 'role-modeling desired mind-sets and behaviour' and 'relentlessly pursuing impact'. The reverse of this is the CEO and senior team who separate themselves from the strategy being delivered to the workforce, creating a 'them' and 'us' environment where 'they' must follow the vision created by 'us'. Not a terribly inspiring *modus operandi*. While it is understood that the tasks and responsibilities at the C-level differ from those at middle-management and shop-floor, there is nothing more encouraging or deserving of support, than a senior operator who turns up and physically endorses the company strategy.

From the 2008 McKinsey survey, a case study on best practice highlights the important role that Corrado Passera, then CEO of Poste Italiane, played in transforming the organization. It began with his proposition "a mission that is, at one level, a dream but is also achievable. Too much of a dream, and people will not believe in it." Followed by his dedication to delivering the message face-to-face by travelling around the country to meet with the work force at different post offices. To McKinsey he explained, in reference to his role as CEO, *"you have to put your face in front of the people if you want them to follow you."*

Indeed, CEOs who thoroughly endorse their company's strategy and operation are widely applauded. Witness Branson doing meet & greets on Virgin flights, epitomising the attention to service that the airline is known for. Also, in comment to McKinsey for their CEO's Role In Leading Transformation article, Peter Gossas, president of Sandvik Materials Technology, spoke to the importance of rolling up your sleeves, saying that he prefers to stand on a crate in a plant to workshop a particular problem with the team than reside in the executive suite. A behavior that all senior managers should be mimicking, and encouraging upwards, as their organization embarks on a new journey.

FAST TRACK TO FAILURE #5:

LACKING CLARITY OF VISION

The names given to transformation projects can raise an eyebrow or a smile: "Phoenix" and "Chrysalis" for example. We're familiar with this type of corporate jargon and it might seem superfluous or clichéd but those words and the mission statements that quickly follow them serve to solidify the organization's strategy and vision. Indeed embarking on a business transformation process without a clear strategy creates a foundation for failure.

Without clear vision there is no anchor for the strategy, no peg on which to hang the next pieces – the resource plan, the structure and processes, the communication strategy. Earlier this year PEX Network spoke with the winners from the 2016 PEX Awards to find the commonalities between project teams and companies that excel. The stand out feature was 'clear vision'. From Rick Hepp, Executive Director of Operational Excellence, Bristol-Myers Squibb (BMS) who's team saw the launch of a new pharmaceutical product stripped back from months to hours, *"You need the right story about where you started and where you're heading, then it's about how well engaged is the leadership with that vision."*

So how can your organisation avoid stumbling around in the dark and develop a clear vision for its transformation?

It is important to establish several key success factors that are transparent & measurable, have next 'levels' to go to, and which can inspire the workforce. Just as the communication strategy is important; a clear vision is extremely valuable.

Another example from the BCG analysis highlighted the way that IBM ingrained their transformational vision into 'its organizational DNA'. Their transformation vision is so effective that it has remained part of the organization while CEOs have moved on, while revenue has almost doubled, and while the IBM transformation story is told far and wide. The IBM vision was never just a clever word or catchphrase, it has truly enabled the business to adapt and grow, and it continues to do so today.

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FAST TRACK TO FAILURE #6:

UNREALISTIC EXPECTATIONS

At a very basic level we've all heard about the SMART rules for goal setting. Make your goals specific, measurable, attainable, realistic and timely, otherwise you could be struggling to evaluate your success. At a bigger scale this is also true on a business transformation journey: if the expectations are unrealistic whether in terms of timeline, budget, status of the project, reach and scope in the business, and more, then your transformation is being set up to fail. And of course the most common issue is resource, whether it's budget or personnel.

A 2014 survey by Oracle and Forbes asked 'What are the top reasons for failure [of business transformation]' and found that 'resource constraints' (35%), 'unable to quantify metrics of success' (26%) and 'prioritizing of business transformation with other critical initiatives' (22%) were severely affecting business transformation success. The responses to another one of the survey questions provide supporting data. When asked, 'What capability is most critical to the successful execution of transformation initiatives?' responses included 'summary of all costs associated with transformation initiatives' (40%), 'setting realistic, achievable goals and tracking toward those during execution' (28%), and finally, 'single source of resource capacity and planning information' (21%). Clearly there are disconnects between the expectations of the business and how teams can deliver on those expectations.
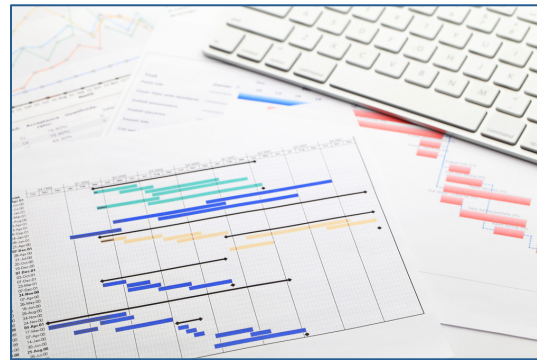
How to successfully plan and resource for transformation

The Oracle and Forbes report outlines the opportunity to use Project Portfolio Management, providing a bird's-eye view of the operations, coordinating their timelines, developing priorities and allocating resource accordingly. The report highlights a case study from Panasonic whereby the senior team began to look at more enterprise-wide data and business processes. Mike Riccio, Panasonic's CFO comments, *"Now we look at the data, and we prioritize - will this project increase revenue? Will it decrease costs? Is there a new regulation coming that makes this a top priority? Then we look at resources across IT, operations and our business units and align them."* It's a process that provides clarity on the expectations for the project team, avoids an awkward pitfall and accelerates the organization on their transformation journey.

The road to successful business transformation is not necessarily straight forward and even the best plan needs enough flexibility to react to challenges along the way. Nevertheless, if you can start with a plan that avoids the most frequent and debilitating pitfalls, you will be heading in the right direction:

- Plan for the long term and invest in communication.
- Make sure your corporate messaging is clear and any conflicts are resolved.
- Involve your staff in the development and implementation of the transformation plan.
- Ensure senior management are embodying the principals of the strategy.
- Have a clear vision of what the transformation will achieve.
- Project manage so that resource is available and goals can be met

"You build on failure. You use it as a stepping stone."
- Johnny Cash

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