Grant Thornton
An instinct for growth™

3 success factors for transformational change

Change occurs in the evolution of all organizations. Sometimes change is a strategic initiative, such as an acquisition or reorganization. Sometimes changes are tactical, such as in the implementation of a new enterprise resource planning system or transformation of the finance function or supply chain. Regardless of the nature or the reason for change, the organization typically creates a "project" or a "program" to accomplish its objective.

Given that research indicates only 30% of organizations consider their change management programs successful, business leaders must understand the ingredients that drive success. Here are three non-negotiable factors that will lay a strong foundation. These alone will not make the project successful, but without them there is little hope that the project will meet its objectives without great pain.

1. Establish a shared vision and alignment

To be successful, you and your stakeholders must know what it is you are trying to accomplish and why you are doing it. There should be a clear, concise business case that identifies both the qualitative and quantitative benefits of the initiative. The business case should also outline the monetary costs and resource commitments required from both the assigned project team, as well as from other stakeholders in the organization.

Give special consideration to the organization's readiness to absorb and manage the magnitude of change. Transformational initiatives, for all of the benefits that they promise, do not come without challenges and disruption as the organization attempts to do things it has never done before. And, of course, even for the most important initiatives, the day-to-day business never stops. So it is critical that stakeholders, and especially senior executives, are aligned on the objectives and willing to make the program a priority.

Appoint a steering committee made up of influential senior executives responsible for key areas being affected by the initiative. This team should provide visible and consistent leadership for the program. The organization should see the commitment of these senior leaders in both words and deeds. Regular steering committee meetings should reinforce the vision and objectives for the program. Progress against the benefits, as well as cost and schedule trajectory, should be reported in each meeting. Where it appears that the project may not be on a path to achieve the stated benefits, then corrective action should be taken.

Commitment around a shared vision will provide a healthy start to the program. Spending time upfront to solicit input from stakeholders and getting their buy-in on the business case will pay off in the long term. This will help avoid any ambiguity that will lead to questions later on.

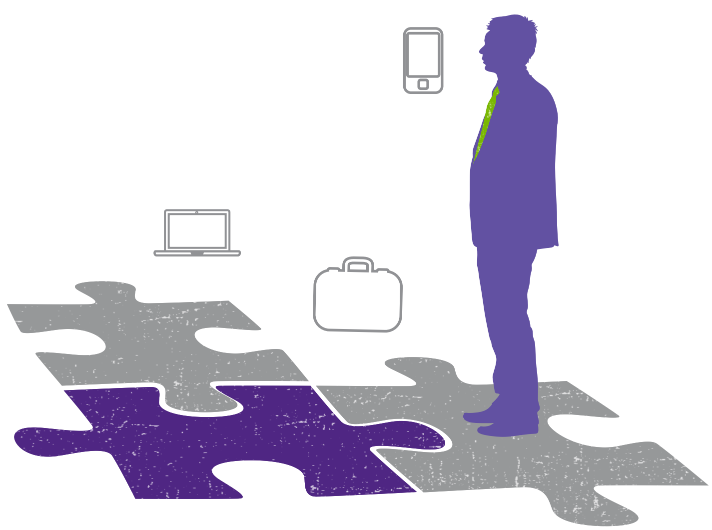
2. Manage scope and show benefits early

The road to failure is paved with many projects that tried to deliver too much and ended up delivering nothing. Manage scope from the beginning for clear direction. The scope of the program should include the specific activities that must be performed to achieve the benefits — no more and no less. Scope must be achievable, and there should be milestones along the way to mark progress. When large projects go on too long without proving benefits or showing good progress, the organization will grow weary and lose momentum. A lot of good projects get canceled because they overreach and strive for greatness. Greatness is fine, but sometimes it first takes setting a foundation and getting a solid baseline solution in place that can be built upon.

In implementing new software, for example, companies overreach when they try to cram so many features into a solution that they lose sight of what they were originally trying to accomplish. Often these well-meaning attempts at perfection result in good projects getting sidelined with no benefits achieved. This is not to say that organizations should "shoot for mediocre." A grand vision is a good thing, but establishing a roadmap that provides at least some benefits sooner rather than later is the best path to success. A common rule of thumb is that some type of benefit should be delivered at least 12 to 18 months into a project — any longer and the organization will begin suffering doubts and project fatigue.

The roadmap concept is excellent for managing incremental delivery of benefits. Establishing an initial baseline solution, such as establishing a shared services function for one division before rolling out in other divisions, will both show some early benefits and allow the kinks to be worked out. While it may appear that a roadmap approach will take longer, experience has proven it to be a quicker path to greater success than a "boil the ocean" approach. Regardless, the approach and schedule for delivery of benefits should be clearly articulated in the business case.

If at some point in the program the scope needs to be modified, the impact to cost and benefits should be closely examined to ensure it is acceptable. The changes/impact should also be clearly communicated to stakeholders so that they are not surprised later on.



3. Assign the right people

People are perhaps the most important ingredient in a successful project. You want people who can break out of "the way things are" mindset, yet balance it with the reality and discipline of what can be reasonably delivered in an acceptable time frame.

The CFO of one of the world's most recognized brands made a great statement on the importance of people at a recent event for financial executives. He had pulled the best people from across the company to participate full-time in the integration of a large acquisition. When asked by an attendee how he could afford to do that without hurting the areas from which those people came, he responded, "If we did not cause some pain in those areas, then we would have known we had the wrong people for the project."

Credibility of the project team is important. Create a mix of established and respected leaders, as well as some up-and-comers. Known leaders lend credibility, help enable change and get people on board. Big projects can be a fast track for high-potential managers because they provide exposure to many parts of the organization's operations and also allow for interaction with senior leadership. People who participate in transformational change initiatives increase their value exponentially and can become some of the most knowledgeable people in the organization.

Sometimes a specific skill is needed for the project that does not exist within the company and a resource or a team must be brought in from outside the organization. The value of outside resources is not only to bring fresh perspectives and know-how, but to respectfully challenge legacy thinking. Don't expect consultants to always agree with you; it defeats the purpose and erodes the value and experience they can provide. Sometimes the greatest value a consultant brings is in "saving their client from themselves."

As the team is appointed, it is critical to clearly identify the roles and responsibilities of each team member. Without clarity, even talented resources may get lost and detract from the value they bring to the program. For example, an organization leader is not brought on to a software project to drive methodology, but to speak for the organization and represent its needs.

A special word about accountability: It is obviously important to link the performance measures of individuals on the project team to the successful achievement of program milestones. What is not so obvious, but often just as important, is to also make other stakeholders in the organization accountable for success. This will remove many barriers, including stakeholders who may have competing priorities or a bias toward keeping things the way they are.

The importance of finding the right people for the program cannot be overstated. To trust multimillion-dollar transformational initiatives to anything less than your best people is a recipe for failure. Resist the urge to staff it with resources just because they're available. Pull in the right people and develop a backfill strategy or succession plan to address any pain caused by extracting them from day-to-day operations. It will give you the best chance of achieving objectives and benefits with much less headache.

Action items

So, what actions can you take now to help encourage a successful initiative? A lot depends on where you are in the life cycle of the program. If you have not yet started, hopefully you have a program management organization (PMO) that can help you objectively assess whether you have laid the appropriate foundation and established a sound business case.

If you have a program already underway, consider having an independent party such as your internal audit team or a proven PMO service provider conduct a program health check. Using an objective framework such as the Project Management Body of Knowledge established by the Project Management Institute can help determine where you may have risk or opportunity for improvement. Even if you believe the program is going well, such an assessment will confirm your belief and likely find at least some opportunities for improvement.

Do you know if your projects are on track to achieve the stated benefits? Are they on schedule and on budget? Do you have the right people leading them? If you are uncertain of the answers, you have work to do. Start now.

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