DISRUPTIVE CHANGE— IT’S ALL ABOUT THE BUSINESS

Perspective

During disruptive changes in an organization, HR professionals and consultants often talk about “managing change,” “dealing with resistance,” and “gaining buy-in.” As a business leader, though, your job is delivering business results. Dealing with change, resistance and buy-in are means to that end.

FIGURE 1—EXECUTIVES’ VIEWS ON DISRUPTIVE CHANGE

- 61% of survey respondents acknowledge that their firms struggle to bridge the gap between strategy formulation and day-to-day implementation.
- 44% of strategic initiatives did not succeed in the last three years.
- 51% of survey respondents say the leading reason for the success of strategic initiatives is leadership buy-in and support.

So how can you develop a targeted approach to business performance during disruptive change? This approach needs to ensure that strategy, process, technology, AND people are aligned to achieve accelerated results. As a first step, you must identify the leading indicators of disruptive change, then understand the levers that business leaders should employ to prepare for and profitably navigate such changes, and finally target your efforts in order to maximize impact under real-world time and resource constraints.

1 Global survey of 587 senior executives globally, March 2013, The Economist’s Intelligence Unit
Requirements of Leading Indicators

Leading indicators must:

• Relate to activities that are considered to be important for future performance
• Be amenable to intervention and influence by the group whose performance is being measured
• Relate to areas where there is scope to improve
• Provide a clear indication how to improve performance, given time and resource constraints

The first challenge in getting a business ready for major change is for executives to recognize that a disruptive change is occurring. Much change is incremental – a shift in strategy, branching into a new market – and so leaders are skilled in guiding their organizations through it. Disruptive changes, though, require an organization to completely transform the way it does business - a large acquisition, a bold new strategic direction, a large software investment, or a market jolt that creates urgent financial challenges. For us, three questions define disruptive change:

FIGURE 2 – KEY QUESTIONS TO IDENTIFY DISRUPTIVE CHANGE

<table>
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<tr>
<th>SIGNIFICANT FINANCIAL IMPACT?</th>
<th>If the cost of failure or payoff for success is high, inability to ensure business continuity can put the company’s survival at risk.</th>
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<tr>
<td>SUBSTANTIAL NEGATIVE CONSEQUENCE?</td>
<td>Are there substantial negative consequences for failure or considerable delay? Unsuccessful, incomplete, or poorly executed initiatives can have lasting effects on the organization, resulting in poor performance, ineffective strategy, reduced productivity, and increased costs.</td>
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<td>MAGNITUDE OF CHANGE?</td>
<td>If customer interactions, markets served, portfolio composition, or operations will be massively different, complexity and risk are significantly higher.</td>
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2 Using Leading Indicators to Drive Sustainability Performance, Robert B. Pojasek, PhD, Environmental Quality Management / DOI 10.1002/eqm / Summer 2009 / 95
If you answered yes to any of these questions, you are likely facing a crucial time in your company’s history. Further, there’s a good chance that many of your colleagues don’t have the requisite experience and tools to navigate such a disruptive change. Of course, you rarely have the time or resources to implement the full range of initiatives you believe necessary to optimize your organization’s transformation. You must act fast to capture or preserve value in the face of large-scale change. Almost everyone involved will still have a “day job” – objectives to meet, customers to satisfy, requirements to comply with. And typically transformation initiatives don’t exist in isolation, but are accompanied by many other changes.

So what should you and your fellow executives do?
Speed matters, especially given how distracting transformation efforts can be to an organization and its people. With time of the essence, you and other leaders must focus to produce results. Fortunately, our experience has shown that while there are many moving parts during major change, a critical few workstreams will lead to transformation success:

- **Business Strategy** – To provide a consistent view of what is most important and provide organization-wide guidance for decision-making, executives must have clarity on the customers, markets, and products/services that will serve as the basis of competitive advantage.

- **Performance Targets** – Articulating and driving specific objectives and target performance levels throughout the organization ensures that leaders, managers, and employees understand what must be achieved.

- **Processes, Procedures & Organization Design** – This is about configuring operations optimally, balancing consistency and efficiency with adaptability, to execute the defined strategy and achieve the goals and targets. The key here is alignment: of the KPIs and policies, of the procedures, work processes, and tasks, and of system functionality and tools. All of these must be consistent with each other and with the business strategy.

- **Capabilities** – Once strategy, goals and processes are defined, you have to identify the resources – people, financial, systems, etc., - that will enable achievement of the strategy. This includes clearly delineating the decisions, interactions, and hand-offs that must take place to support the future state.

These are the workstreams that those involved in a transformation should be concentrating on. Notice that communication and training – the bread and butter of most organizational change efforts – are not on the list. These are byproducts of the other workstreams, not the primary areas of focus.
As important as what work is done to deliver value in transformative change, is how the work is organized and accomplished. A solid approach to managing the transformation process will have a critical impact on speed and results:

- Develop and use an effective governance structure, with clear accountabilities and agreed-upon rules for running the transformation effort.
- Use a rigorous project management methodology to coordinate workstreams.
- Constantly attend to the timing, sequencing and interaction of the multiple efforts underway.
- Have a consistent mechanism for escalating and reaching consensus on risks, difficult issues, and tradeoffs.
- Evaluate effectiveness and adjust course as needed throughout the effort.

Knowing the levers to employ and ways of working during disruptive change opens the question of how to sequence them optimally. The general answer is that you want to attend to the levers of change in the order they have been presented – business strategy leads to goals/targets, which direct the best-fit processes, etc., all of which inform the capabilities needed to successfully execute. Likewise, governance processes should be established first, followed by rigorous project management, and so on. Yet change can be messy, so be prepared to iterate through these steps if necessary.

ABOUT NORTH HIGHLAND

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