



# Avoid being yet another transformation failure

by Adrian Morey

Why are transformations so challenging, with so many failures? Even if similar transformations have been executed tens, or hundreds of times before, by many comparable organisations; even when highly credentialed implementation partners are selected to conduct the transition, it is consistently reported that upward of 70% of transformations fail. They experience massive budget and schedule overruns and fail to realise the targeted outcomes and benefits that they were started to deliver.

## Transformation is different to incremental change

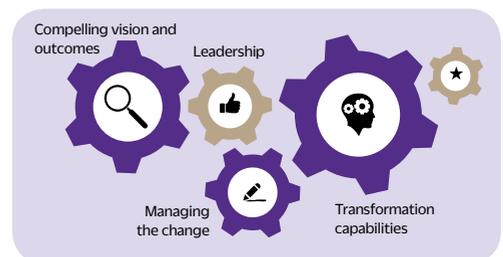
The Boston Consulting Group define transformation as *a large-scale change aimed at delivering sustainable improvement in performance either enterprise-wide or within a specific business unit, function or market – with fundamental changes to strategy, business model, organisation, technology, people and process.* As such transformation is not an incremental change to business as usual, but rather a **profound and radical change** that orients an organisation in a new direction, enabling it to achieve an entirely different level of performance or effectiveness.

Organisations seek to transform for a number of different reasons, either proactively or reactively.

These reasons include: digital transformation; crisis; market disruption; performance and efficiency improvements; innovation and new opportunities; competitive advantage; reaction to internal and/or external pressure or events; mergers and acquisitions; and planned abandonment.

## Transform to transform

The transformation failure rate is an alarming statistic, particularly considering we are in an age of unprecedented disruption and market turbulence, where continual business transformation is considered a must if an organisation is to remain relevant and effective. This is potentially a problem given organisations generally dislike change. The good news is that not all hope is lost; you can improve the odds of transformations and significant change programs being successful, simply by applying the



lessons learnt from past failures and successes. The purpose of this article is not to investigate why transformations fail – hundreds of books and articles do that. Instead, it focusses on a few practical measures to realise transformation success, and the critical role Boards play in guiding organisational transformation – this is further explored in the next section.

To be successful in transformation many organisations actually need to “transform to transform”. Specifically, it is recommended that organisations embrace the following four capabilities/practices:

**1. Compelling vision and outcomes:** Would you set out on a cross-country journey, across what may be little known and challenging terrain, without a map? Then why do organisations embark on significant change journeys without clear articulation of what outcomes they seek and a clear line of sight to what success looks like. This is not an invitation to create long slide decks, but instead clearly articulate the target business outcomes and enabling capabilities. Each business outcome needs to be aligned to organisational strategy, be valuable to the organisation, have purpose, be measurable, and can be time-bound. Clear business outcomes remove guesswork and allow organisations to maintain focus on delivering the required transformation and benefits. They also enable the identification of checkpoints and any impediments along the journey because the final destination is understood by all stakeholders and sanctioned by management.

**2. Leadership:** The process of transformation is complex, involves significant uncertainty and any significant change by its very nature can be unsettling, if not scary. The leaders of an organisation, particularly the CEO and their executive team(s), are critical to the success of any significant change effort. Leaders need to lead – this needs to be visible and meaningful, not just supportive. Successful leaders approach transformation as a journey – they communicate the significance of the change

and create a powerful transformation story, invest time and get personally involved during all stages (definition, execution, realisation and sustaining) and also demonstrably commit to their own change journey. Additionally, it is important that leaders have the necessary competencies required to lead the transformation. This can be make or break. You may have the best transformation / change specialists in your team, however if the leaders don't get it ... good luck!

**3. Managing the change:** Transformations are, fundamentally, large-scale change efforts. They require the mobilisation and motivation of large numbers of people, at all levels of an organisation, and relevant (influential and impacted) external stakeholders. The efforts of this transformation need to be aligned with realising a common set of outcomes. To do so, appropriate program and change management practices and tools need to be adopted. Of particular importance is effective and efficient program and project governance arrangements, ensuring that accountability and delegated decision rights reside with the “right people”. Equally important is organisational change management (OCM). Many organisations underestimate the importance of OCM, and they do this at their peril. OCM is critical to ensure that ALL stakeholders are taken on the journey and the change sticks – at the core of OCM is engagement and communication, both of which are often significantly underdone.



**4. Transformation capabilities:** As discussed above, organisations are now in effect always transforming. As such, viewing transformation as individual change programs/projects is no longer viable. Instead organisations need to invest in selected core in-house transformational capabilities to drive and control transformation. For smaller organisations this could be one or two key resources that have previously successfully led or managed significant transformations. Whereas for larger organisations going through significant change, this could comprise an In-house team with a good mix of skills and access to subject matter experts. In-house resources can be supported by outsourced partners as necessary, with any external service providers working within the span of control of the in-house team, and working to organisational standards and cultural norms. It should be remembered however, that everyone has a role in leading the change. Sometimes there might be a staff mentality of “when are you going to have everything ready.” Whereas those organisations that truly engage staff and give them a role to play in the transformation drastically improve their chances of success.

Additionally, it is imperative the organisations do not underestimate **how difficult and significant the change associated with transformation actually is.** A field observation is that transformational change regularly fails because leadership is not able to fully appreciate the impact, complexity and commitment required to complete the change process and normalise new ways of working, even if they are aware that significant transformation is required. This is tied to all four capabilities/practices above, but is a specific point of failure that is often exposed independently of them.

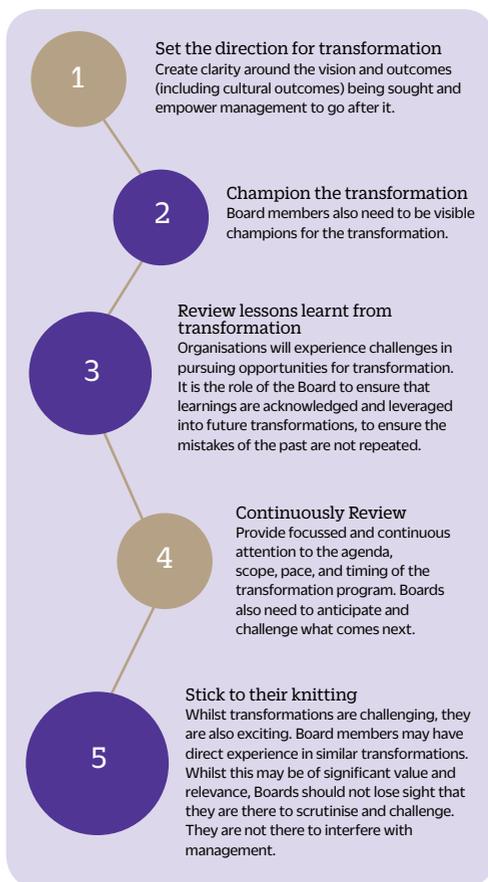
### The critical role of Boards in transformation

As overseers of organisational strategy, the board of directors play an important role in transformation. They need to understand what the proposed transformation entails and have confidence in how

the organisation plans to execute it successfully.

Good corporate governance requires that: “Usually the board of a listed entity will be responsible for... providing leadership and setting the strategic objectives of the entity” and “overseeing management’s implementation of the entity’s strategic objectives and its performance generally.” (ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations 3e, commentary to Principle 1.1).

The same logic needs to be applied to organisational transformations. Transformation needs to start from the top. The role for Boards is summarised below:



## Digital transformation

Digital transformation deserves a specific mention as digital innovation regularly rewrites the roles and futures of organisations - think e-commerce, apps/mobile, security, the Internet of Things, and big data. Boards have an important role when it comes to digital transformation. It's often a critical component of an organisation's strategy. As such boards need to:

1. Take time during their strategic discussions to talk about what digital initiatives will entail.
2. Discuss how the organisation is innovating and whether its innovation activities are aligned to strategy.
3. Ensure they have the right mix of skills and experience. To survive and prosper in today's ever-changing times, all board members really need a base level of knowledge on the technology environment. Unfortunately, few boards have enough combined digital expertise to have productive digital conversations with management. As such, it is becoming increasingly necessary to:

- Bring in directors with specific digital, new technology and cyber risk expertise. These are not just tech-savvy people talking about websites and social media; but people who understand the digital landscape and opportunities.
  - Establish special technology sub-committees or advisory councils.
4. Ensure that management and employees are appropriately skilled (or being upskilled) to realise the value from digital investments.

### In Conclusion

Organisations can improve their chances of success in transformation. But they need to recognise that transformation involves fundamental changes to strategy, business model, organisation, technology, people and process. As such, without the organisation willing to transform to transform and an appropriately skilled Board, able to play a critical (but appropriate) role, the process is that much harder.

