



CHALLENGE OF CHANGE AUSTRALIA

EO EXECUTIVES
ONLINE

 Change
Management
Institute



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INTRODUCTION

The constancy of change is a reality that impacts every aspect of our lives, and how an organisation manages itself amidst this reality is critical to the success or failure of any business. At times change can seem gradual and evolutionary in nature; in other cases the change can come suddenly and dramatically. A healthy company must have the ability to adapt as needed to whatever sort of change is required, and thus the process of change management has become a significant area of interest for executives in every industry – especially as change seems to come more and more rapidly, and from every direction.

Executives Online has studied change management since 2002, with the publication of our first *Challenge of Change* report. We have continued to update this information with new surveys and research over the years, and we are happy to deliver the latest installment: a far-reaching survey conducted in September of 2009 to over 843 executives living and working in Australia.

This survey was conducted amidst a global recession, a time during which adaptation to a changed economic environment is critical to the very survival of many companies. Our past survey results have shown a track record of rather poorly-constructed and implemented change programmes; we were interested to see if that record had improved any and what lessons might have been learned by companies on managing change programmes. We also wanted to learn about the impact of the recession on change programmes currently underway. In addition, we polled again about who typically had responsibility for driving change within companies; who was the most effective at delivering that change, and what characteristics were most important for those charged with effecting change in an organisation.

We hope you enjoy this latest update on the ongoing challenge of change. As always we welcome your reaction or feedback on any aspect of our report.

Steve Rattray
Managing Director
Executives Online Australasia

The Change Management Institute (CMI) is an independent not-for-profit organisation, established in 2005, to promote and develop the practice of change management internationally. The CMI is committed to meeting the professional development needs of change managers through the provision of networking, education and accreditation. With change a constant reality for most organisations today, the demand for change management is increasing. The CMI helps organisations and individuals respond professionally and effectively to this demand.

As the independent professional body for change management practitioners we actively support all forms of research into the discipline. It is research like this that helps us understand more about the value that change management adds and how we need to develop the profession and our practitioner's capabilities to continue to meet the needs of business, government and our community.

CMI welcomes the opportunity to partner with Executives Online to conduct this international survey. We hope you are able to use these insights to improve the change outcomes for your organisation.

Caroline Perkins
President
Change Management Institute

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RESEARCH OBJECTIVES AND METHODOLOGY



Executives Online has been publishing the *Challenge of Change* reports since 2002 and our goal has been to understand how the practice of effecting change in an organisation has been evolving over time. This year we were also curious to see how the global economic recession may have impacted the drivers of, attitudes toward, and approaches to change.

Our survey was conducted online in September of 2009, via an online questionnaire to 843 interim managers and some of the senior executives in organizations that could employ them. The survey was promoted throughout Australia to a combination of change management practitioner organization members and recruitment databases.

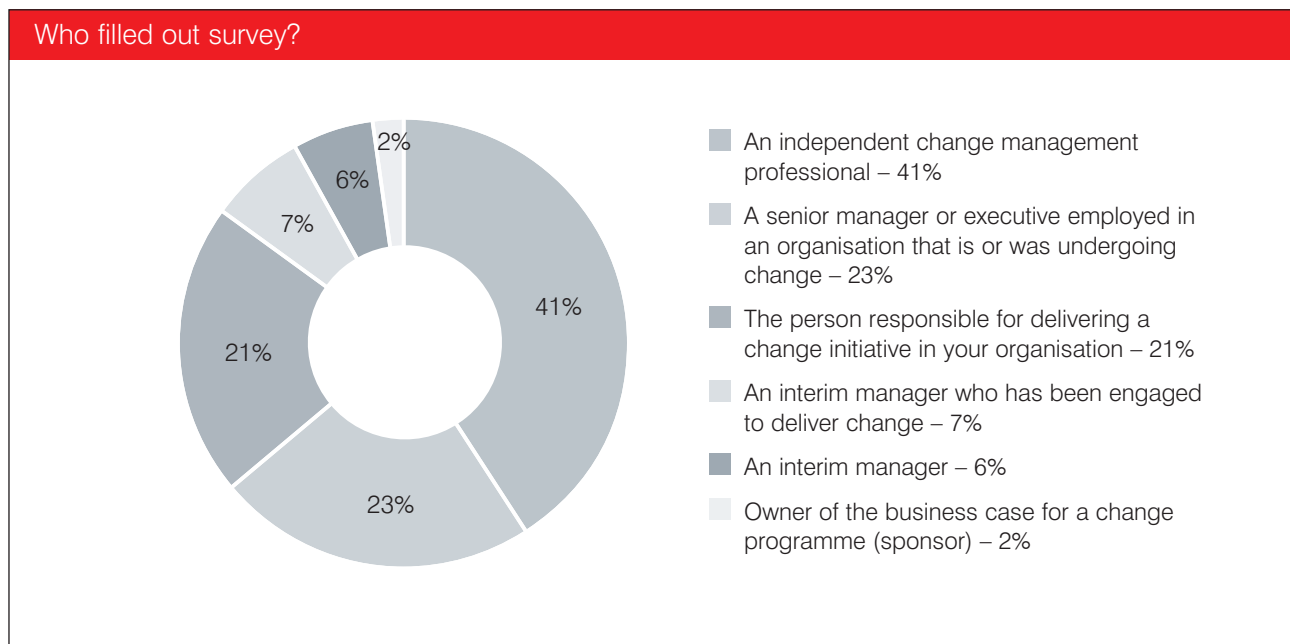
Areas of inquiry included:

- Definitions and consensus on change management
- Drivers of change
- Current planned business initiatives
- Impact of the recession on change programmes
- Assessment of how well companies manage change
- How change tends to go awry
- Causes underlying change programme failure
- Effectiveness and suitability of change management resources
- Skills required by effective change managers

SURVEY SAMPLE

The survey was completed by a number of differing roles. The largest group was “an independent change management professional”(41%).

Of the survey sample, nearly a quarter said they were “a senior manager or executive employed in an organisation that is or was undergoing change” (23%). One fifth (21%) identified as the “person responsible for delivering a change initiative in your organisation”. The smaller groups consisted of the “owner of the business case for a change programme (sponsor)” (2%), “an interim manager who has been engaged to deliver change” (7%) or “an interim manager” (6%).

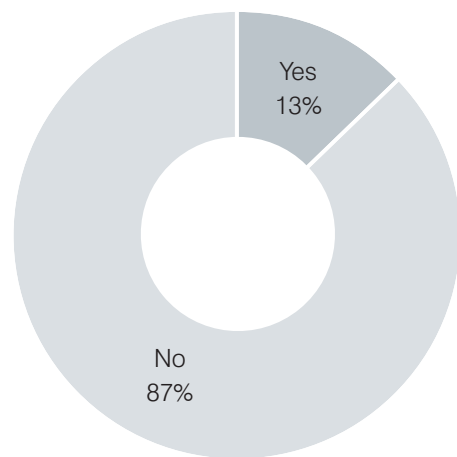


“Change management is a structured approach to transitioning individuals, teams, and organisations from a current state to a desired future state.”

DEFINING CHANGE MANAGEMENT

The majority of respondents believed that there was little consensus on the definition of “change management.” Only 13% felt that when someone used the phrase “change management,” it would be clear to others precisely what was meant.

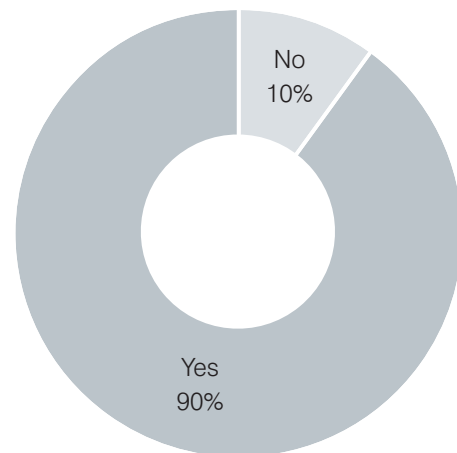
Do you believe there is consensus on what change management is? That is, when someone uses the phrase change management, that others will instantly understand precisely what he or she means?



That said, when respondents were offered a possible definition of change management: “Change management is a structured approach to transitioning individuals, teams, and organisations from a current state to a desired future state,” 90% agreed with that definition.

Do you agree with the following definition of change management: Change management is a structured approach to transitioning individuals, teams, and organisations from a current state to a desired future state.

The understanding of the term “change management” is becoming more consistent among people in the profession. However, it is still not well understood among the broader business community and this could be one of the contributors to this result which shows a low level of confidence about other people’s understanding.



Alternate Definitions

However, when asked how they might tweak the given definition or whether they had a preferred alternative respondents offered a variety of thoughts.

Some objected to the use of the word “structured” in the definition: “I agree with the basics of your content but it does not allow for the fluidity required by different contexts – perhaps I would rephrase the 'structured approach' to something more flexible.”

Others felt that the right definition would fall somewhere in the middle on this aspect:

Change management is the effecting of change by incorporating key stakeholders in a semi-structured process towards a common vision. The “semi structure” is important as it lets the organisation change as it finds new challenges and opportunities as it progresses towards change.

The nature of change as an ongoing reality was also raised: “The term transitioning suggests to me a passive shift. Given that change is a constant, effective change management must also enable, execute and enforce.”

Others, though, noted that the overall goals of the

organisation must be taken into account, “with the particular focus of ensuring the behavioural outcomes that will support the organisational objectives associated with the change.”

Another modification mentioned was the inclusion of other elements: “processes and technology”, “systems and processes”, “tools and techniques”, and “communications.” Other respondents noted, however, that the “focus is on the people aspect” and that any real transition was to “a new way of working.”

One respondent noted that in a successful change management initiative, teams and organisations will move “into a desired future state in which they feel naturally affiliated and integrated.” In the words of another, it was important to recognize the “promotional aspects of change management – people don't necessarily want to go to the desired state.”

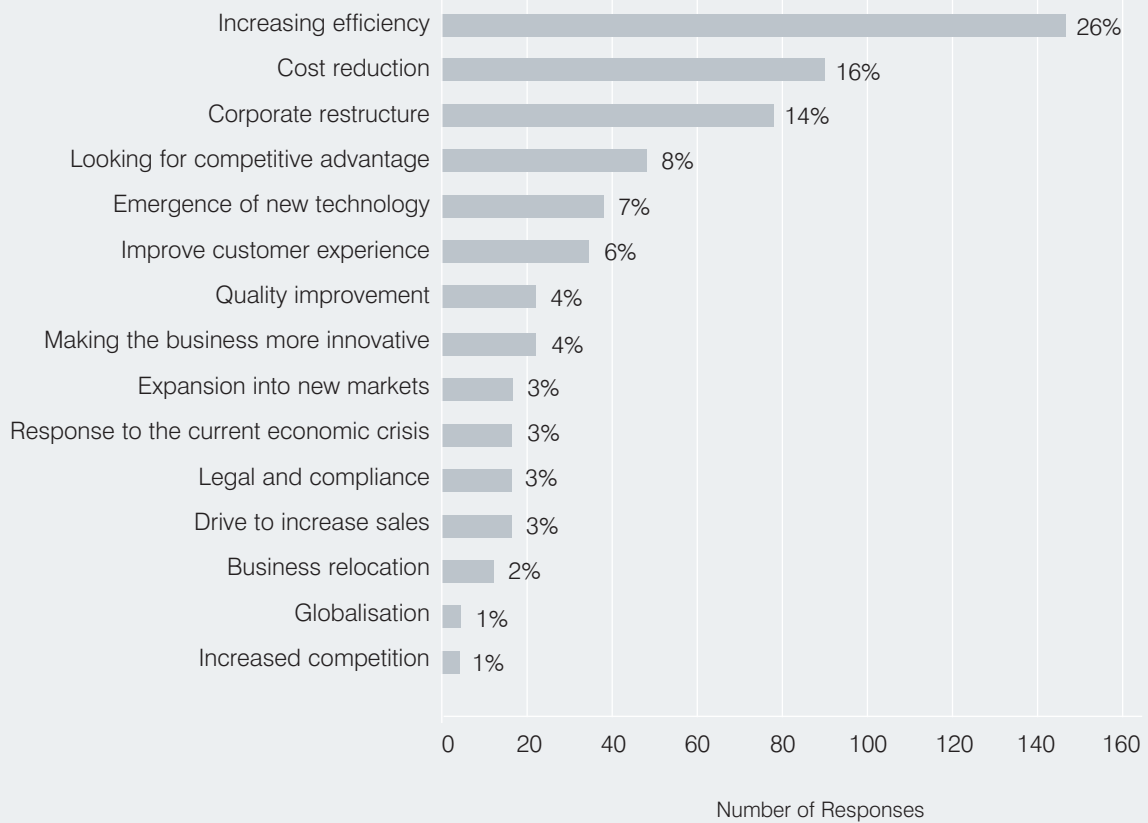
Change management should be a versatile accommodating approach with a firm understanding that people are individuals and require a unique approach to transition each individual, team and organisation from a current state to a desired future state.



DRIVERS OF CHANGE

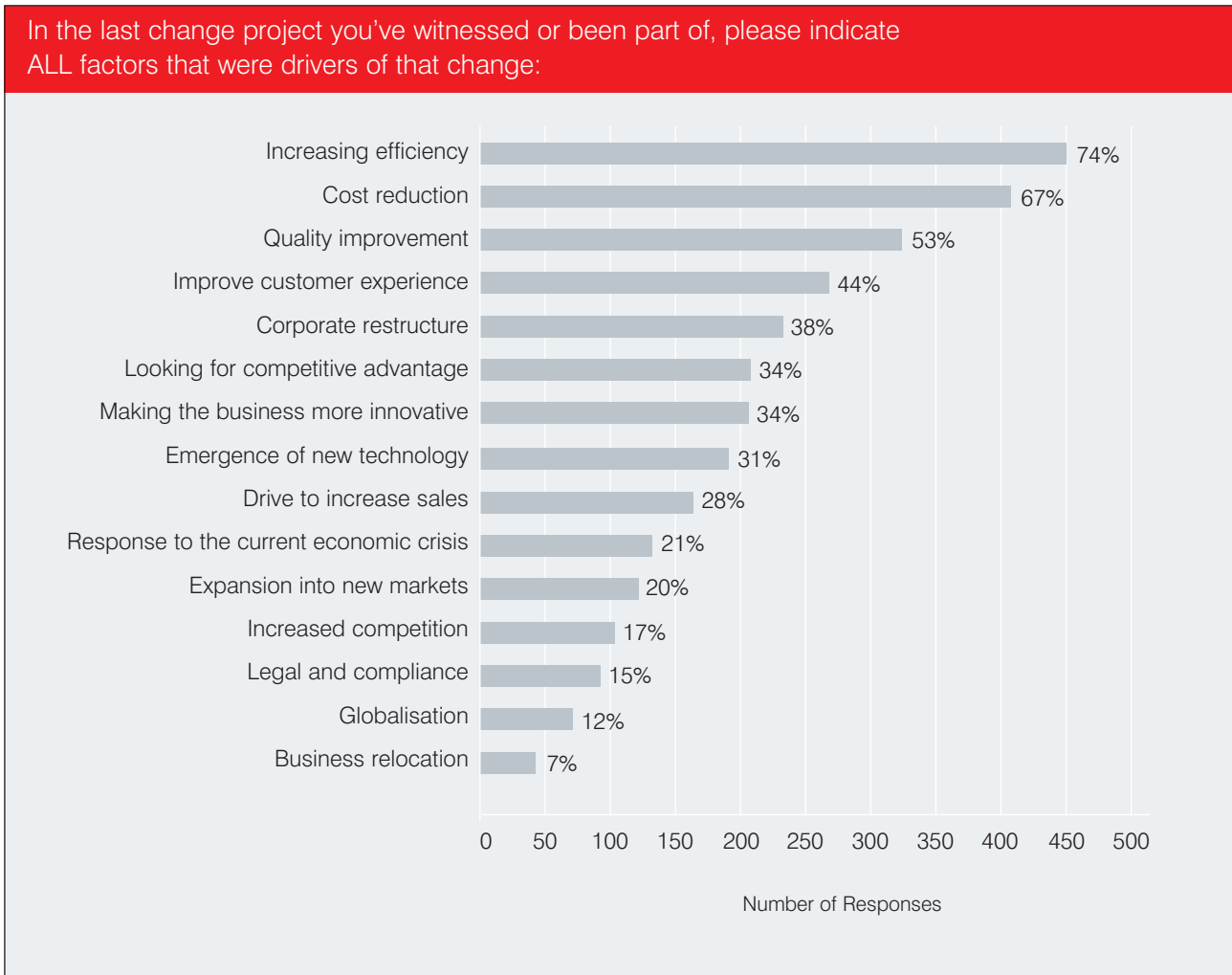
Over 50% of respondents felt that the drivers of change were one of three key areas. "Increasing efficiency" was most often cited, by 26% of respondents, together with "cost reduction" (16%) and "corporate restructure" (14%).

In the last change project you've witnessed or been part of, please indicate the primary driver of that change:



When the question was expanded and respondents were asked to indicate ALL drivers of change, “increasing efficiency” remained the most prominent at 74%, but “cost reduction” and “quality improvement” also scored highly, with 67% and 53%, respectively.

Other drivers mentioned included “government-funded” or “government-mandated” policies or exercises (such as those around healthcare) and corporate ownership structure changes.



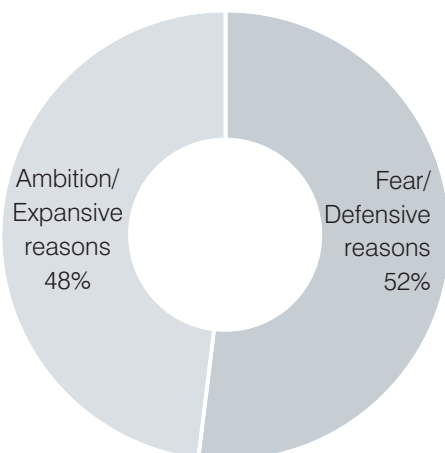
Burning platform or Vision for the future?

Respondents were divided almost 50/50 as to whether most business change was driven by fear or by ambition, with nearly half indicating the more positive “ambition or expansive reasons,” and just over half indicating “fear or defensive reasons.”

Respondents indicated that both were drivers, but some noted that “ambition should be the key driver.” Another noted that “it cycles between these depending on the business cycle in the specific industry.” One respondent suggested that it “depends on their current position in the industry. If they are dominant players, the change is driven by ambition, but if they are playing catch-up, then their change is driven for defensive reasons.”

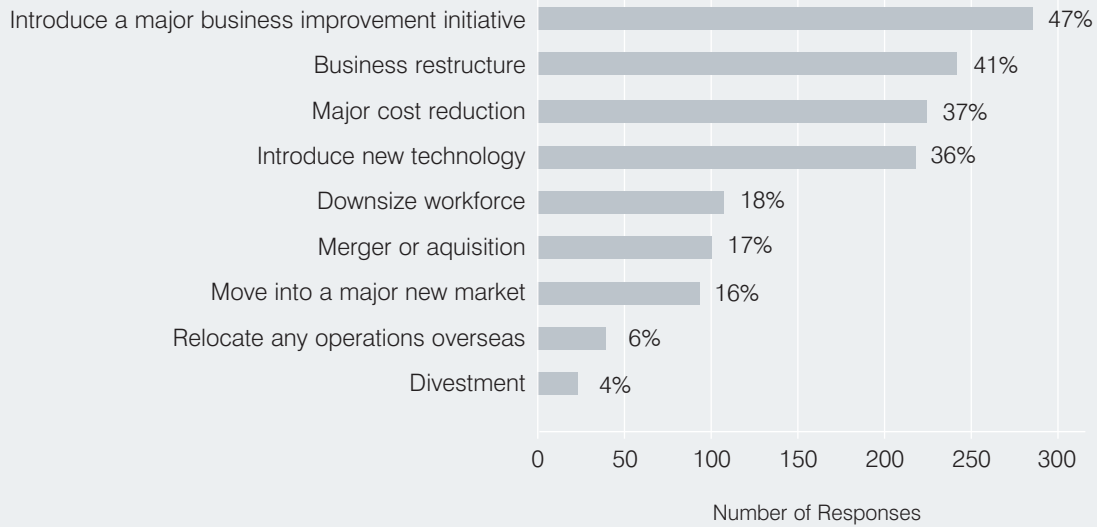
It is pleasing to see a shift away from the “burning platform” as change without benefits is often not sustainable, so a change that is ambitious and expansive is more likely to be successful. Fear as a motivator is limited and temporary in its effectiveness.

Do you think most business change is driven by fear, or ambition? That is, for defensive or expansive reasons, respectively?



PLANNED CHANGE

What business change initiatives are planned in your (or your client's) organisation for the next 12 months?

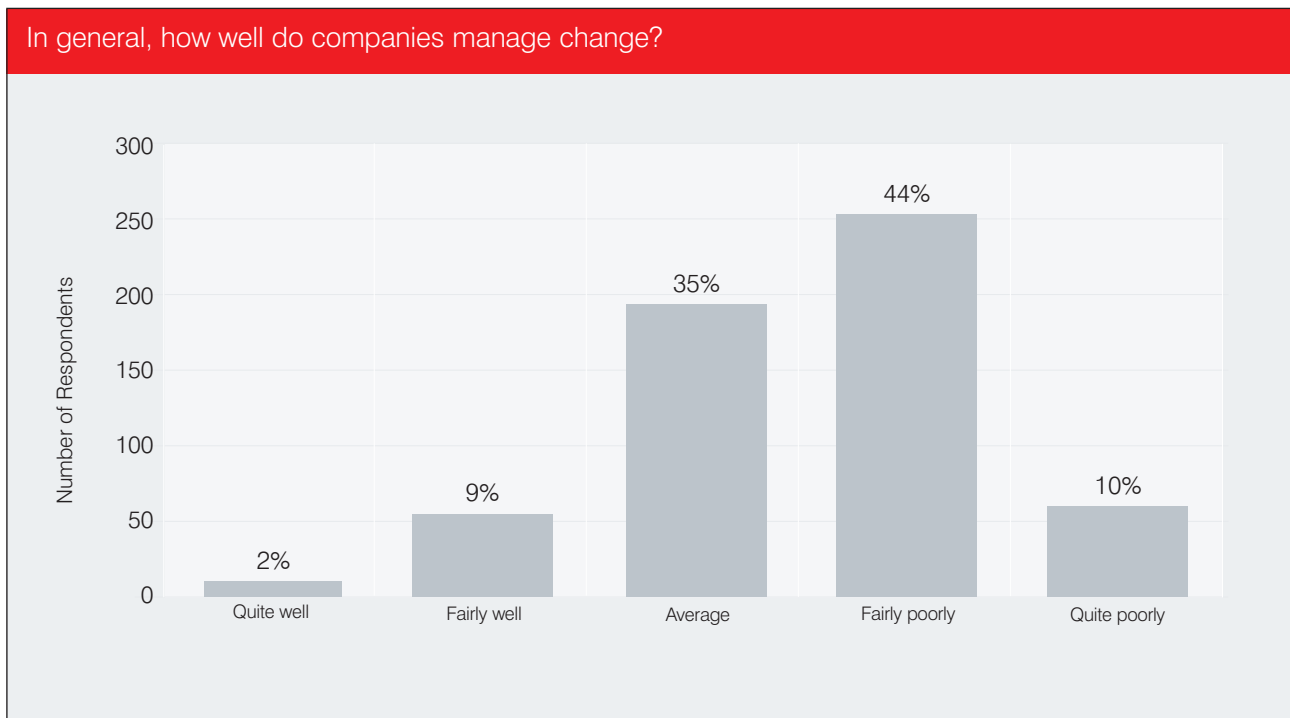


Many types of change initiatives were planned over the next 12 months, especially: “introduce a major business improvement initiative” (47%), “business restructure” (41%), and “major cost reduction” (37%). It is reasonable to assume that the global economic crisis would be driving these more cost-oriented projects. There is some appetite for introducing new technologies, perhaps those which reduce people or process costs, with 36% respondents citing this as a change initiative planned for the next 12 months.

By contrast, far fewer respondents report change initiatives around M&A, new markets or offshoring. M&A activity is very low, mirroring global trends, with few change initiatives driven by mergers, acquisitions or divestitures. Similarly, few organisations are moving into new markets currently. Despite the cost advantages offered by offshoring, little appears to be happening at the present time. Perhaps these moves have already occurred, leaving only core knowledge-based functions in the home territory, or perhaps companies are nurturing customer relationships by keeping customer service and call centre operations (the most commonly offshored) closer to home.

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MANAGING CHANGE



Overall, respondents were not impressed with how well companies manage change. Only 2% indicated that companies manage change “quite well,” and another 9% indicated “fairly well.” Thirty-five percent rated companies as “average” in change management and another 44% said “fairly poorly.” Another ten percent indicated “quite poorly.”

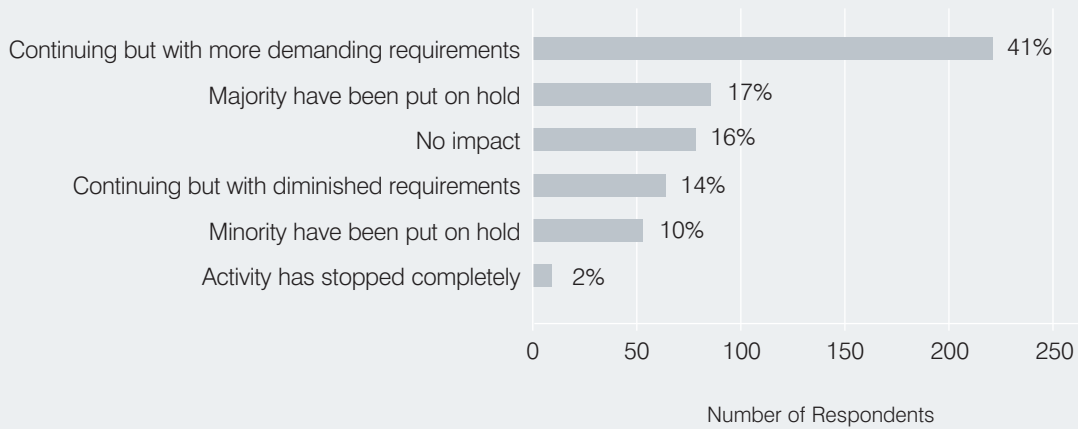


RECESSION IMPACT

As previous survey data has shown, the global recession has had an impact on companies across the board. Just sixteen percent indicated that there had been no impact from the recession. When asked specifically about its effects on change programmes already underway, over forty percent said the programmes were “continuing but with more demanding requirements.” Seventeen percent said that “the majority have been put on hold;” 10% said that “a minority” had been put on hold. Fourteen percent were continuing with diminished requirements, and for 2%, activity had stopped completely.

So this means that 71% of change continues in some form during the recession. This clearly demonstrates that management of change is something that happened in good and bad times and hence organisations should ensure that they continually improve the management of change, to gain benefits in good and bad times. Increasing the importance of change management in organisations achieving stated goals.

What is the main impact the recession has had on change programmes already underway in your or your client's organisation?

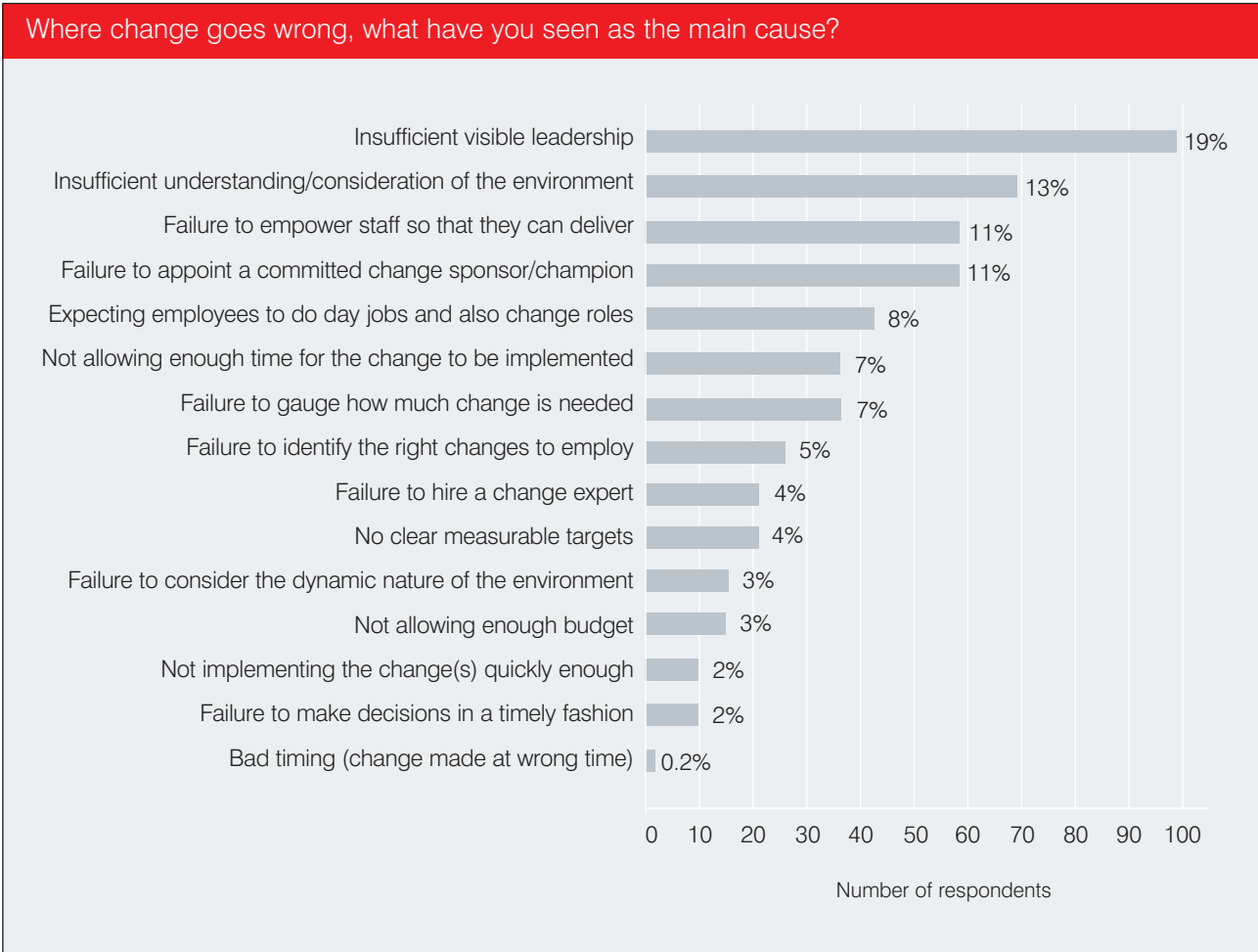


When asked specifically about its effects on change programmes already underway, over forty percent said the programmes were “continuing but with more demanding requirements.”

WHEN CHANGE GOES WRONG

Given respondents' feelings on how poorly companies manage change, it is clear that much goes wrong. In terms of diagnosing specific issues, almost a fifth indicated "insufficient visible leadership." Another set of issues clustered around the context and staffing of the change to be implemented: "there was insufficient understanding or consideration of the environment into which the change was made" (13%), "failure to empower staff so they can deliver" (11%), and "failure to appoint a committed change sponsor/champion" (11%).

Respondent comments highlighted the need for senior management involvement, such as "executive management engagement" and the "need for indisputable support of the CEO." Other factors mentioned included the "failure to manage stakeholder expectations throughout the program" and "failure to understand or deal with the people issues relating to the intended change."



DELIVERING CHANGE

Actually delivering on the planned change programme is the key challenge. A variety of different resources may be involved in a single change programme, depending on the company and the magnitude of the change sought. Department heads generally had a prominent role more than half of the time, and the board (i.e., CEO/Managing Director) also had a role 40% of the time. Internal teams – for whom change responsibilities were added to their usual responsibilities – were also pivotal (53%). Internal teams

where members were seconded or otherwise 100% applied to the change programme had a role a quarter of the time.

Management consulting firms – either “name brand” or boutique/niche firms – were used only occasionally (10% or less for each). Other external players – external interim/contract workers and external/independent change management professionals – were better utilised at 25% each.

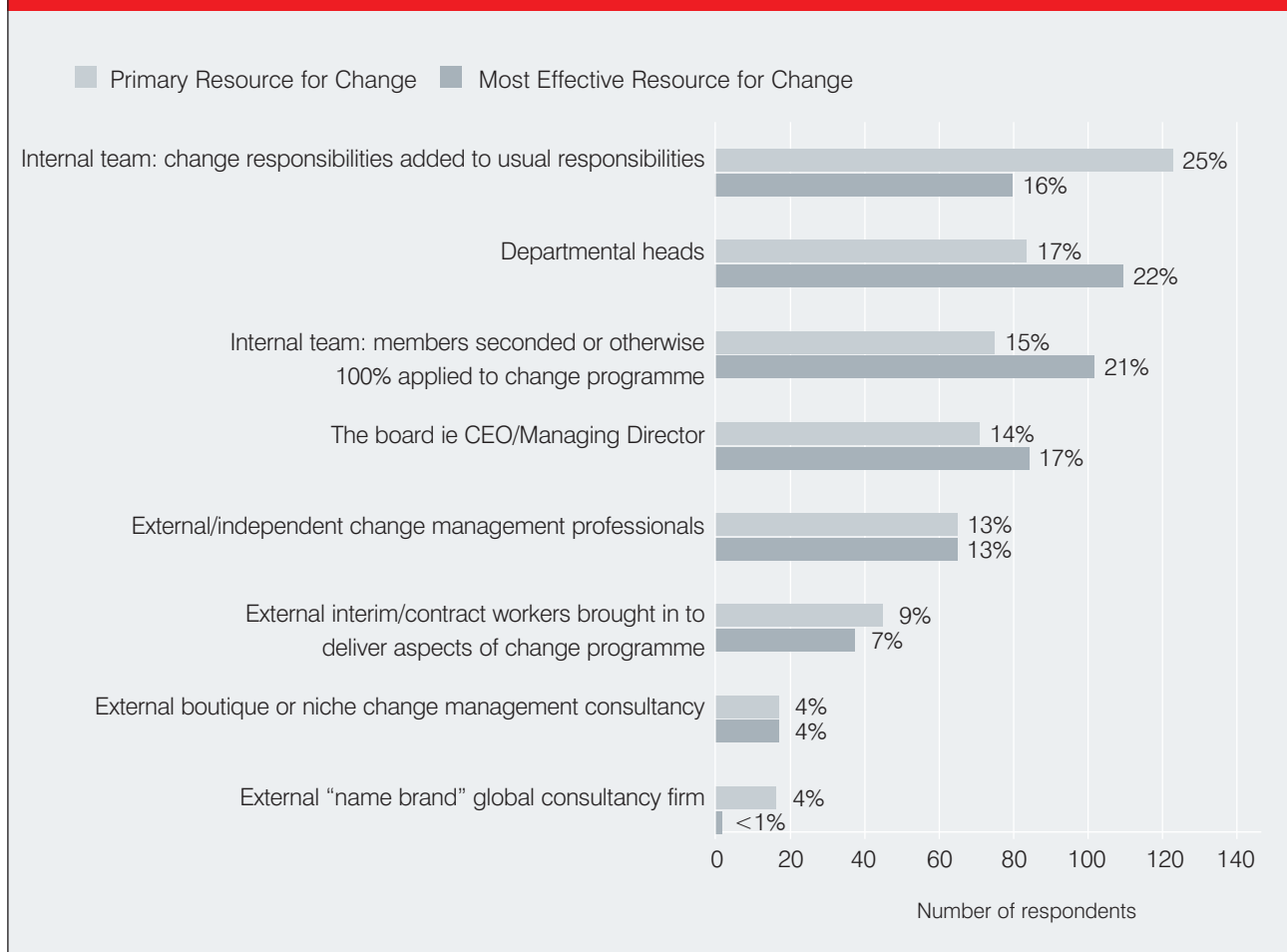


Primary Resource vs. Effective Resource

Survey respondents were then asked to indicate which resources had been the PRIMARY resource for change, and then which resource had been the MOST EFFECTIVE resource for change. In most cases, the two statistics aligned fairly closely. Some resources, however, were viewed as being more effective than others: internal teams where change responsibilities were added to their usual responsibilities were viewed as especially effective. External “name brand” global consultancy firms were viewed as less effective.

The most effective change agents seem to be those who are affected by the change: internal teams, department heads, and senior management. However, where used, dedicated independent change managers are viewed as comparably more effective, and almost always the “most effective” resource. There is evidently a need for change to be driven and led by the organisation, but people in the organisation are not always equipped to do it most effectively in terms of capacity, capability and an independent and open mindset – and thus additional specialist change managers can help.

In the last change project you have been part of, which resource was the PRIMARY one used to deliver change? Which was the MOST EFFECTIVE one used to deliver change?



Suitability Ratings

When asked to rate each role as to its "suitability for leading change management," respondents rated internal teams (those seconded or otherwise 100% applied to the change programme), department heads, the board, and external/independent change management professionals as "excellent" resources in their suitability for implementing change. External "name brand" global consultancy firms fared the worst in suitability ratings.

It is rarely effective to add change management to an already overloaded internal team; who might not have the capacity or capability to deliver, without significant assistance. It is more effective if change agents are department heads and CEO etc, for the change to be supported and sustainable, when the dedicated change managers moves on.



Change Management Skillset

Survey respondents were asked to rank a list of skills in terms of their importance to a person responsible for delivering change. Top-ranked skills were rather generic qualities: “successful leadership skills,” “excellent communication skills,” “big-picture thinking,” and “being goal-oriented.” A more specific experience based measure – “successful track record in similar change management programme” – was also rated highly, ranking third.

Some respondents questioned specific attributes on the list. For example, one called charisma “one of the worst attributes for delivering change.” Another wrote “forget the charisma – they are usually political players who achieve

nothing, but lull people into a sense of achievement until it all starts to fall apart, and then their teflon shoulders shed the blame on those who pointed out the issues!”

Others focused on more values-based characteristics: “a strong person who is open and honest” and someone who is empathetic, having “respect for the person being changed.” Many agreed that a change manager “needs to engender confidence and communicate well,” with “specific knowledge being helpful but less critical.” Another aspect mentioned was more about business savvy: “the ability to balance the political environment with the business urgency.”

| Please rank the following skills in terms of their importance to a person responsible for delivering change | Rank |
|---|------|
| Successful leadership skills | 1 |
| Excellent communication skills | 2 |
| Successful track record in similar change management programme(s) | 3 |
| Big-picture thinking | 4 |
| Being goal-oriented | 5 |
| Personal charisma/persuasiveness | 6 |
| Emotional intelligence/empathy | 7 |
| Experience in the function in which the majority of the change is concentrated | 8 |
| Experience in the organisation's industry | 9 |
| Patience and resilience | 10 |
| Sense of urgency | 11 |
| Technical acumen (modelling, analysis, mastery of formal analytical tools) | 12 |
| Marketing and sales capabilities | 13 |

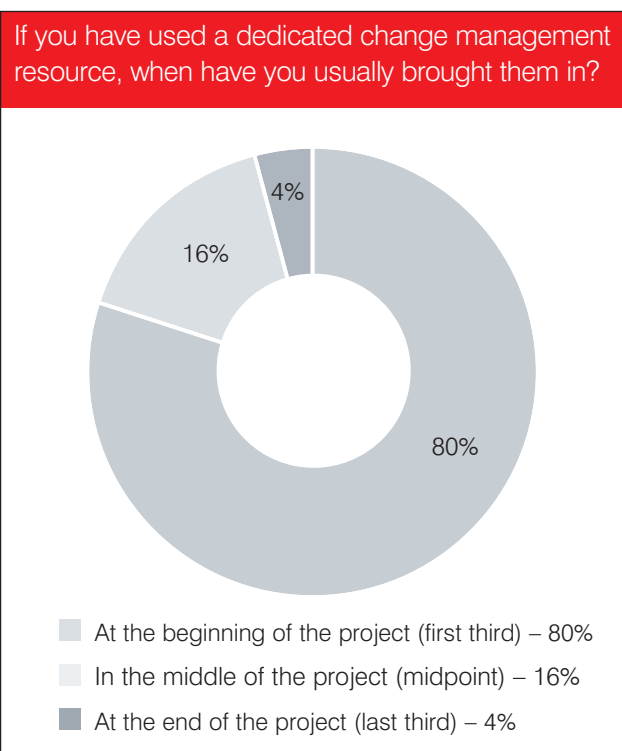
Use of a Dedicated Change Management Resource



Among those respondents who have used a dedicated change management resource, the scope of work has generally cut across the board, with “communications” capturing the largest share. Less tactical areas of focus also feature strongly, including strategy, organisational design and development, and leadership.

When respondents have brought in dedicated change management resources from the outside, this resource or resources generally report in at a senior level, such as to the CEO, COO, or the board, or to the business sponsor, program director, or project manager. Many respondents noted that some level of senior executive backing was critical for an external resources to be effective.

In terms of timing, those using dedicated change management resources are more likely to bring that resource in at the beginning of the process.





CONCLUSION

The “challenge of change” continues to stymie the majority of companies. Consistent with previous survey results, our September 2009 respondents were not impressed with how well companies manage change: less than 15% said “quite well” or “fairly well”. Almost a third indicated either “fairly poorly” or “very poorly.”

Corporate restructure, cost reduction and increasing efficiency were all viewed as significant drivers of change and were also among the most common planned initiatives, which is not surprising amidst a global recession. Of the companies surveyed, less than 10% said the recession had not impacted their change programmes; nearly half were continuing but with more demanding requirements and other programmes had either been put on hold, scaled back, or stopped completely.

Change tended to “go wrong” when the “right” changes were not identified. There were also issues around failing to empower staff and failing to allow enough time for the changes to be implemented, which was consistent with past surveys. Another factor added by numerous respondents was the lack of senior management commitment and engagement in the changes planned – another aspect that had come up repeatedly in past research.

The board, department heads, and internal teams were all commonly tapped to employ change, though internal teams were still perceived to be among the most effective resources in that realm, reflecting, no doubt, the perceived lack of engagement by senior management.

External/independent change managers also received a vote of confidence from many respondents, and given the lack of success continually seen across the change programmes cited, perhaps employing more individuals with change management expertise might make sense.

Interestingly, the top-ranked skills for an effective change manager tended to be more generic qualities vs. more specific or technical skills. Successful leadership and excellent communication skills as well as personal

charisma/persuasiveness all ranked highly. Many survey respondents commented on the critical importance of the “human side” of the change process, adding further credence to the need for strong leadership, communication and persuasiveness.

The recession has necessitated change across most companies and industries, and the ability of a company to successfully navigate the tides of change will be a factor in determining who survives. Finding the right formula for effective change management: what to change; who should effect that change; and how to execute on the chosen programme. All of these elements require careful attention for success.

Executives Online has a strong track record in finding change management expertise; feel free to call us **+61 (02) 9907 1222** if you think we might be able to help.

Corporate restructure, cost reduction and increasing efficiency were all viewed as significant drivers of change and were also among the most common planned initiatives

ABOUT EXECUTIVES ONLINE

Executives Online delivers fast-track executive resourcing – interim management, project management, change management, and permanent recruitment – leveraging our 80,000-strong Talent Bank of senior executives. We source talent globally, via the Talent Bank which is built and drawn upon by each of our growing network of offices around the world.

We offer a unique, full-service process which is a balanced blend of technology and personal service. Our approach attracts both the best candidates and the most challenging opportunities, and enables us to rapidly and effectively match them together in successful placements.

ABOUT THE CHANGE MANAGEMENT INSTITUTE

The Change Management Institute's (CMI) mission is to promote excellence in the management of change by setting standards, educating and supporting change management practitioners with networking and accreditation, and promoting the value of change management. The CMI is the only independent professional organisation in Australia that is uniquely positioned to advance the interests of change management. Since 2005, the CMI has been providing opportunities for change management professionals to build knowledge and skills and network with other change professionals.





www.change-management-institute.com

Australia

Level 4 / 90 Mount Street
North Sydney 2060
T: +61 (02) 9460 3824

South of England

Staple House, 3rd Floor
Staple Gardens, Winchester
Hampshire, SO23 8SR
T: +44 (0) 1962 893 300

London

Capital Tower, 91 Waterloo Road
London, SE1 8RT
T: +44 (0) 845 053 1188

North of England

2 Victoria Street, Wetherby
West Yorkshire, LS22 6RE
T: +44 (0) 1937 581900

North East of England

Rotterdam House
Quayside
Newcastle upon Tyne, NE1 3DY
T: +44 (0) 191 2064113

North West of England

82 King Street
Manchester, M2 4WQ
T: +44 (0) 161 935 8246

Scotland

Dalgety Bay Business Centre
Ridgeway, Dalgety Bay, KY11 9JN
T: +44 (0) 1383 828920

Midlands

West Walk Building
110 Regent Road
Leicester, LE1 7LT
T: +44 (0) 845 328 2370

East of England

Suite 283, 17 Holywell Hill
St Albans, AL1 1DT
T: +44 (0) 845 326 8145

South West and Wales

1 Friary, Temple Quay
Bristol, BS1 6EA
T: +44 (0) 117 344 5128

Ireland

1st Floor, 43 Main Street
Rathfarnham, Dublin, D14
T: +353 (1) 492 5000

Belgium

Gentsesteenweg 1050, bus 12
1082 Brussels
T: +32 (0) 475 580 333

France

17 rue du Maréchal Lyautey
95620 Parmain
T: +33 (0)1 34 73 10 72

Germany

Dillenburger Strasse
51105 Cologne
T: +49 (0) 221-460 234 17

Italy

Via Senigallia 18/2 Torre A
20161 Milan
T: +39 (0) 2 6467 2632

The Netherlands

Atrium gebouw
Strawinskylaan 3051
1077 ZX Amsterdam
T: +31 (0)20 3012159

South Africa

West Block, Dunkeld Crescent
Corner Jan Smuts and Albury Rd
Dunkeld West 2196
T: +27 (0)11 2432801