

MAKING CHANGE WORK



CONTINUING [THE ENTERPRISE OF THE FUTURE CONVERSATION](#)

ABOUT IBM GLOBAL BUSINESS SERVICES STRATEGY & CHANGE PRACTICE

IBM Global Business Services offers one of the largest Strategy & Change practices in the world, with over 3,250 strategy professionals. Our Strategy & Change practice fuses business strategy with technology insight to help organizations develop, align and implement their business vision across four strategic dimensions – business strategy, operating strategy, organization change strategy and technology strategy – to drive innovation and growth.

EXECUTIVE SUMMARY

The IBM Global Making Change Work Study examines how organizations can manage change and identifies strategies for improving project outcomes. This report continues the conversation that began in the IBM Global CEO Study 2008 regarding forward-thinking companies that are “Hungry for Change.”¹ For its very survival, the Enterprise of the Future must better prepare itself as the pace, variety and pervasiveness of change continue to increase.

Over a two-year period, the percentage of CEOs expecting substantial change climbed from 65 percent in 2006 to 83 percent in 2008 but those reporting they had successfully managed change in the past rose just 4 percentage points, up from 57 percent in 2006 to 61 percent in 2008.² This disparity between expecting change and feeling able to manage it – the “Change Gap” – nearly tripled between 2006 and 2008.³

Our Making Change Work Study focuses on how to close the Change Gap. Through surveys and face-to-face interviews with more than 1,500 practitioners worldwide – project leaders, sponsors, project managers and change managers – we gained practical knowledge about how to increase the likelihood of project success.

Most CEOs consider themselves and their organizations to be executing change poorly, but some practitioners have begun to learn how to improve their outcomes. From the practitioners themselves,

we found that, on average, 41 percent of projects were considered successful in meeting project objectives within planned time, budget and quality constraints, compared to the remaining 59 percent of projects which missed at least one objective or failed entirely.

Even though just 41 percent of projects were described as successful, those with the highest project success rate (the top 20 percent of our sample) – we call them **Change Masters** – reported an 80 percent project success rate, nearly double that average. In sharp contrast, the bottom 20 percent of our sample – the group we describe as **Change Novices** – reported a disappointing project success rate of 8 percent.

What accounts for these vastly different rates of project success? We found in our detailed analysis of study results that achieving project success does not hinge primarily on **technology** – instead, success depends largely on **people**. But what is more illuminating is the discovery that four common factors helped these practitioners address their greatest project challenges. **When used in combination, these factors provided a synergistic benefit** that was even greater than the sum of their individual impacts, resulting in higher rates of project success:

◆ **REAL INSIGHTS, REAL ACTIONS**

Strive for a full, realistic awareness and understanding of the upcoming challenges and complexities, then follow with actions to address them.

◆ **SOLID METHODS, SOLID BENEFITS**

Use a systematic approach to change that is focused on outcomes and closely aligned with formal project management methodology.

◆ **BETTER SKILLS, BETTER CHANGE**

Leverage resources appropriately to demonstrate top management sponsorship, assign dedicated change managers and empower employees to enact change.

◆ **RIGHT INVESTMENT, RIGHT IMPACT**

Allocate the right amount for change management by understanding which types of investments can offer the best returns, in terms of greater project success.

These four change-related focus areas are represented graphically as four facets of what we call the **Change Diamond**. Neglecting even one area can inhibit change excellence. Practical insights from the experience of Change Masters show that the most powerful approach is to take actions that address each of the diamond's four facets and help guide the Enterprise of the Future in its quest to make change work.

HOW OUR RESEARCH WAS CONDUCTED

The IBM Global Making Change Work Study explored differences in how change was implemented by over 1,500 practitioners world-wide, starting with the awareness that very few organizations do it well. IBM conducted surveys and face-to-face interviews with project leaders, sponsors, project managers and change managers from many of the world's leading organizations.

We investigated the real-world experiences of these project leaders responsible for a wide range of projects, including small- and large-scale efforts intended to execute strategic, organizational, operational and technology based change. This diverse range of projects had objectives that included: customer satisfaction improvement, sales and revenue growth, cost reduction, process innovation, technology implementation, new market entry and organizational change. The Center for Evaluation and Methods (ZEM) at the University of Bonn, Germany, aggregated the data and provided statistical support for analysis of the results.

15 NATIONS
FROM AROUND
THE WORLD

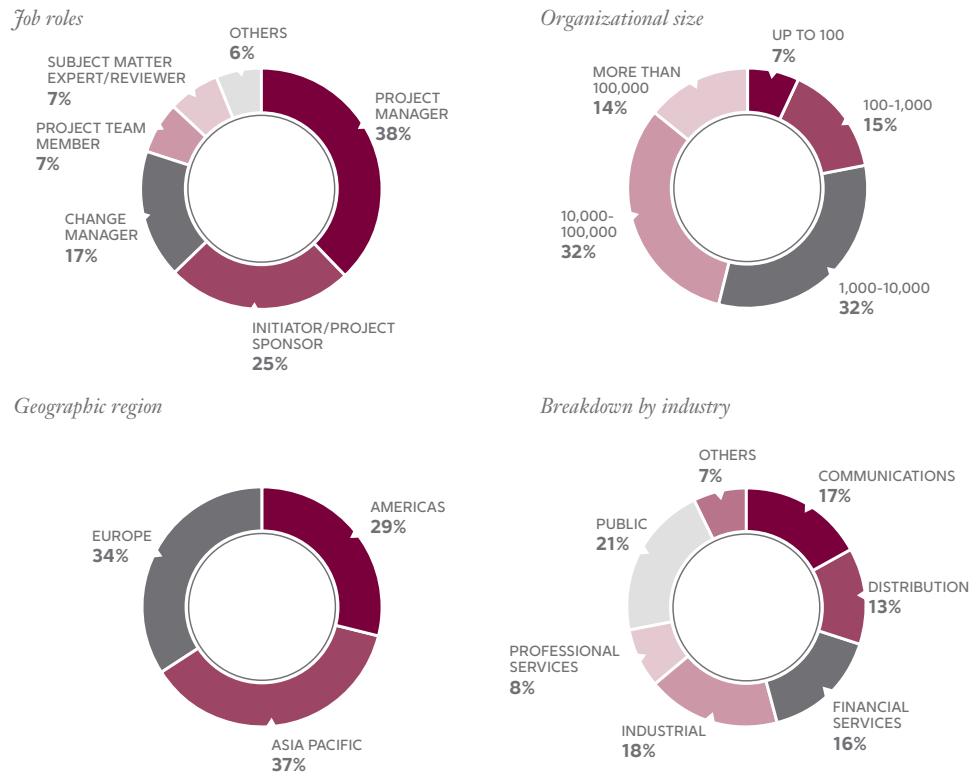
21 DIFFERENT
INDUSTRIES

14 % ARE COMPANIES
EMPLOYING MORE THAN
100,000 EMPLOYEES

22 %
HAVE LESS THAN 1,000
EMPLOYEES

FIGURE 1 DEMOGRAPHICS: GLOBAL MAKING CHANGE WORK STUDY

The Global Making Change Work 2008 Study covered organizations of all sizes, balanced around the globe and across industries.
N = 1,532



Making change work

CHANGE IS THE NEW NORMAL

Today's dynamic work environment is causing organizations to re-frame the traditional view of what "normal" is. We are witnessing the effects of globalization, technology advances, complex multinational organizations, more frequent partnering across national borders and company boundaries – just to mention a few of the enablers and accelerators of change.

No longer will companies have the luxury of expecting day-to-day operations to fall into a static or predictable pattern that is interrupted only occasionally by short bursts of change. To prosper, leaders will need to abandon such outdated notions of change. In reality, the new normal is continuous change – not the absence of change.

HOW THE ENTERPRISE OF THE FUTURE FACES CHANGE

The IBM CEO Study 2008 identified five core traits of the Enterprise of the Future and found that outperforming companies are "hungry for change."⁴



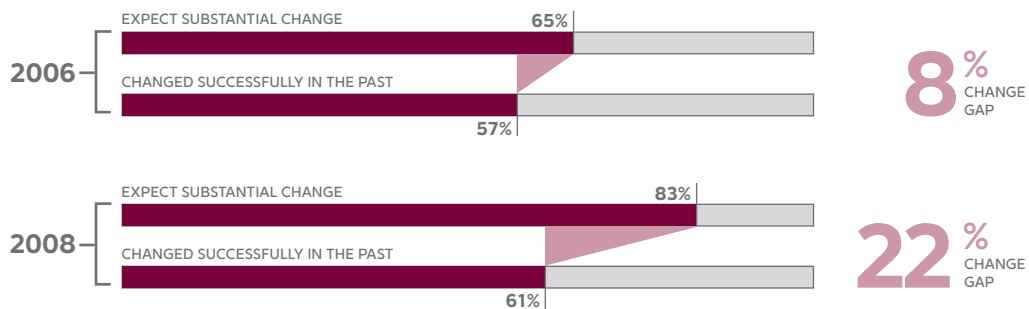
These organizations are capable of changing quickly and successfully. Instead of merely responding to trends, they shape and lead them. However, we also learned from the CEO Study that there is a change gap and it is growing.

The ability to manage change must be a core competence – and yet, as the level of expected change continues to rise, many are struggling to keep up. Eight out of ten CEOs anticipate **substantial** or **very substantial** change over the next three years, yet they rate their ability to manage change 22 percent lower than their expected need for it – a **“change gap” that has nearly tripled** since 2006.⁵

The growing change gap stems from change that is more complex and more uncertain, and happening at an accelerated pace. CEOs are wrestling with a broader set of challenges than in the past, which introduces even greater risk and uncertainty.

FIGURE 2 THE CHANGE GAP

The gap between the expectation of change and an organization’s history of managing it is growing.

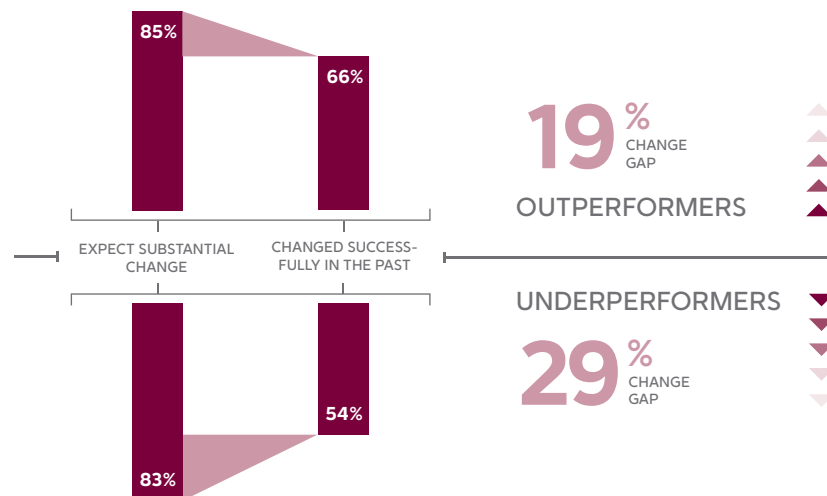


Inability to close the change gap hurts the bottom line. Troubled projects typically create cost overruns while falling short of desired objectives related to time, budget and/or quality, and failing to deliver business value. The true cost of troubled projects is difficult to measure, but a European research study found that the low-end of such estimates cites an average cost amounting to 134 percent of the original plan – other estimates of the average cost of troubled projects were much higher.⁶

Bombarded by change on virtually all fronts, financially outperforming companies had a much smaller change gap than their peers in financially underperforming companies.⁷ Notably, the outperformers did not face fewer challenges than others; they simply anticipated more change and were more effective at managing the change.

FIGURE 3 GAP IS SMALLER FOR OUTPERFORMERS

Because outperformers manage change well, they can get ahead of – and even be the drivers of – change.



HOW PRACTITIONERS DEAL WITH CHANGE

Most CEOs consider themselves and their organizations to be executing change poorly, yet a few outperformers do excel at delivering and benefiting from meaningful change. But how is this actually accomplished? What are the critical challenges and which key factors can lead to change that actually works?

Our Making Change Work Study continues the conversation from the CEO Study, describing based on new survey data the practical steps organizations must take to better prepare for the unrelenting barrage of change that seems to be everywhere. This report looks more closely at the enterprise trait, “Hungry for Change.” We engaged 1,532 key practitioners via surveys and face-to-face interviews, revealing many useful insights based on their real-world experiences with a wide range of projects.

This section of our report highlights some of the most compelling study findings, including a deeper dive into the impact of change on organizations and the keys to successful change. Later, we will explore specific, practical actions that helped practitioners to attain extraordinary results in change efforts.

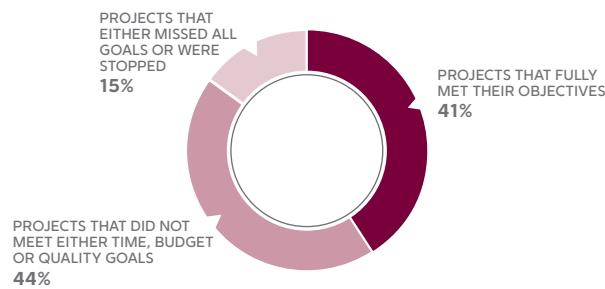
MOST PROJECTS FALL SHORT OF OBJECTIVES

Project leaders confirmed that project success is indeed hard to come by. In our study, we learned that 41 percent of projects were considered successful in meeting project objectives within planned

time, budget and quality constraints. Conversely, nearly 60 percent of projects failed to fully meet their objectives: 44 percent missed at least one time, budget or quality goal, while a full 15 percent either missed all goals or were stopped by management.

FIGURE 4 PROJECT SUCCESS RATES: PROJECT LEADERS REPORTED THAT 41 PERCENT OF PROJECTS WERE CONSIDERED SUCCESSFUL

Forty-four percent of all projects failed to meet either time, budget or quality goals, while 15 percent either *stop* or *fail to meet all objectives*.



THE MOST SUCCESSFUL 20 PERCENT: CHANGE MASTERS

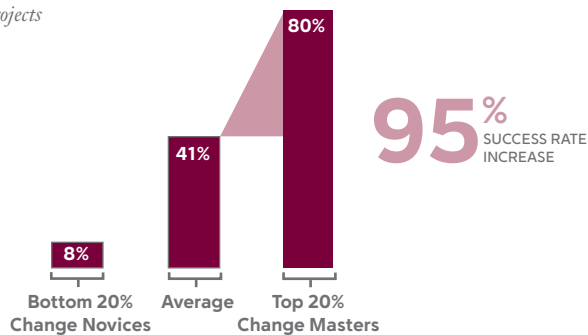
On average, practitioners rated only 41 percent of projects as **successful**, defined as meeting time, budget and quality goals. Yet, the top 20 percent – we call them **Change Masters** – reported an 80 percent project success rate, nearly **double the average**.

In sharp contrast, the bottom 20 percent of our sample is the group we describe as **Change Novices** – their reported project success rate was a dismal 8 percent. Their low success rate reflects the difficulty of getting all project factors to work as planned: just one broken link in the chain can lead to project failure.

FIGURE 5 SHARE OF SUCCESSFUL PROJECTS

The top 20 percent of organizations reported an average project success rate of 80 percent, nearly double the average.

■ *Share of successful projects*



CHANGE CHALLENGES: THE SOFT STUFF IS HARD

Troubled or failed projects create cost overruns and, by definition, fall short of achieving the desired objectives. When nearly 60 percent of projects fail to meet objectives, significant expense is incurred in terms of wasted money, lost opportunity and lack of focus. Change Masters understand that reducing the likelihood of troubled projects, even slightly, can have a clear and rapid payback.

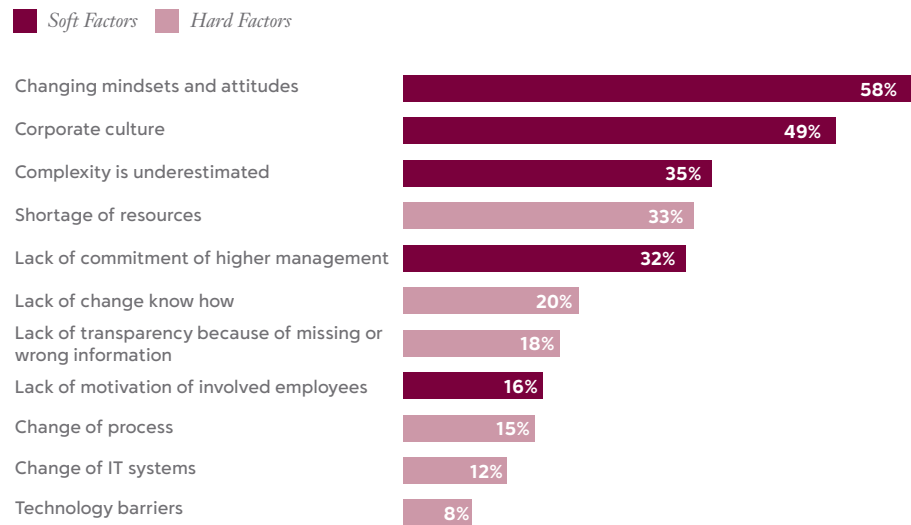
Our respondents identified several of the key barriers to change. Although tangible tasks like **change of IT systems** or addressing **technology barriers** may be expected to present difficulties, our practitioners did not report them among their greatest challenges.

.....
“Leaders are unrealistic about how change is going to happen. They move ahead anyway and get into problems.”

Change Manager, UK, Energy and Utilities company
.....

FIGURE 6 MAJOR CHANGE CHALLENGES

The most significant challenges when implementing change projects are people-oriented – topping the list are *changing mindsets* and *corporate culture*.



Instead, the main obstacles they identified were **changing mindsets and attitudes** (58 percent), **corporate culture** (49 percent) and **underestimating project complexity** (35 percent). Project professionals – who typically request more time, more people and more money – reported that these soft challenges are actually more problematic than **shortage of resources!**

Surprisingly, it turns out **the “soft stuff” is the hardest to get right**. Changing mindsets, attitudes and culture in an organization typically require different techniques, applied consistently and over time – sometimes across a series of successive projects and

often continuing after the formal “project” has finished. Practitioners typically find such less concrete challenges tougher to manage and measure than challenges related to business processes or technology, which are more tangible and possibly capable of being changed permanently through a single intervention.

FACTORS FOR SUCCESSFUL CHANGE

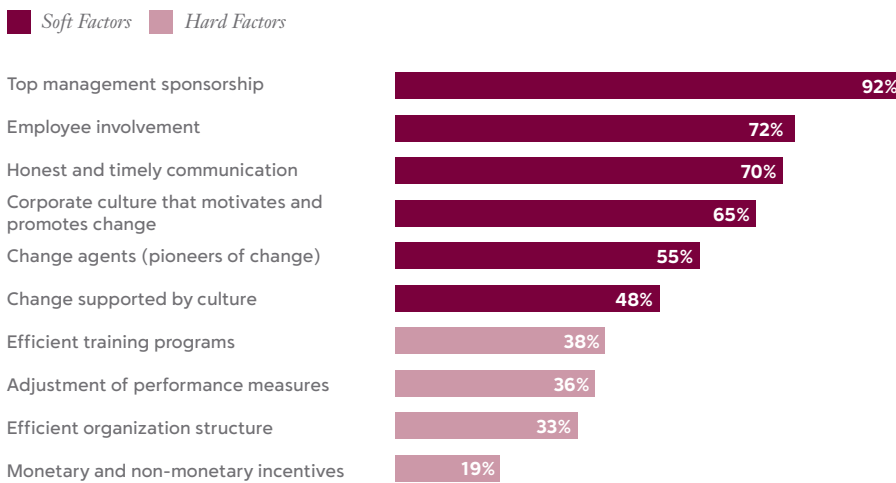
The list of greatest project challenges was top-heavy with soft factors. When asked to identify key factors for successful change, practitioners reiterated the difficulty in dealing with less tangible aspects of a project.

.....
“Culture isn’t just one aspect of the game, it is the game.”

Lou Gerstner, U.S., former IBM CEO⁸
.....

FIGURE 7 WHAT MAKES CHANGE SUCCESSFUL?

Leadership, employee engagement and honest communication are prerequisites for successful change.



.....
 “If you don’t have leadership support, you’re doomed.”

Project Manager, U.S., Media and Entertainment

Practitioners firmly place key responsibility for the fate of change projects in the executive suite – an overwhelming 92 percent named **top management sponsorship** as the most important factor for successful change. Rounding out the top four success factors were **employee involvement** (72 percent), **honest and timely communication** (70 percent), and **corporate culture that motivates and promotes change** (65 percent).

In fact, the top six answers all referenced “soft” aspects of change, ranking them above **efficient organization structure**, and **monetary and non-monetary incentives**. Change Masters have realized that behavioral and cultural change are crucial to project success and are considerably tougher to address than the so-called “hard” factors, such as structure, performance measures and incentives.

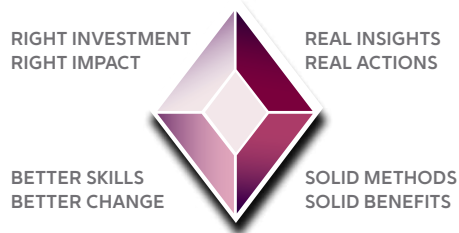
WHY THE CHANGE MASTERS EXCEL

We have seen that organizations differ greatly in rates of project success, but why? Detailed analysis of our study results revealed a highly significant correlation between project success and four important areas of focus: real insights, solid methods, better skills and right investment.

These four change-related focus areas are represented graphically as four facets of what we call the **Change Diamond**. When combined effectively, taking actions to address each of the diamond’s four facets can help guide the Enterprise of the Future in its quest to make change work.

FIGURE 8 THE CHANGE DIAMOND

By focusing on the four facets of the change diamond, practitioners achieved significantly higher rates of project success.



Real Insights, Real Actions. Strive for a full, realistic understanding of the upcoming challenges and complexities, then follow with actions to address them.

Solid Methods, Solid Benefits. Use a systematic approach to change that is focused on outcomes and closely aligned with formal project management methodology.

Better Skills, Better Change. Leverage resources appropriately to demonstrate top management sponsorship, assign dedicated change managers and empower employees to enact change.

Right Investment, Right Impact. Allocate the right amount for change management by understanding which types of investments can offer the best returns, in terms of greater project success.



FACETS OF THE CHANGE DIAMOND: CLOSING THE CHANGE GAP

Change Masters are clearly doing many things right, as evidenced by their high levels of project success. Those with average success rates, as well as the lagging Change Novices, could both benefit by adopting similar practices.

REAL INSIGHTS, REAL ACTIONS

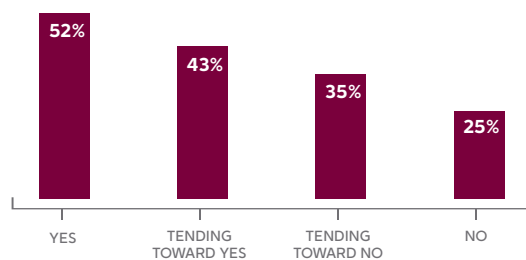
Successful projects require a full, realistic understanding of the upcoming challenges and complexities, followed by specific actions to address them. Lack of early insight leads to a high risk that complexity will be underestimated or even overlooked. In particular, the complexity of behavioral and cultural changes is often underestimated in the early project planning and scoping stages.

When asked if there was sufficient awareness of the challenges associated with implementing and sustaining change, practitioners replying **yes** reported a 52 percent project success rate within their organizations. Project success rates dropped as organizations' awareness levels decreased, down to a low 25 percent success rate for those practitioners who answered **no** to the question.

FIGURE 9 WE FOUND A STRONG CORRELATION BETWEEN SUCCESSFUL PROJECTS AND A REALISTIC AWARENESS OF THE CHANGE CHALLENGE

Responses to the question, "Within your organization, do you think there is sufficient awareness of the challenges associated with implementing and sustaining change?"

■ Percentage of successful projects



But awareness of complexity alone is not enough – action is the vital next step. Only 18 percent of project leaders in our study reported that their organizations had sufficient awareness of the challenges associated with implementing and sustaining change. But of that small group, 85 percent said that their awareness led to the introduction of specific measures to support change.

“I believe there is a strong awareness; however, the internal capabilities and ability to execute is a challenge.”

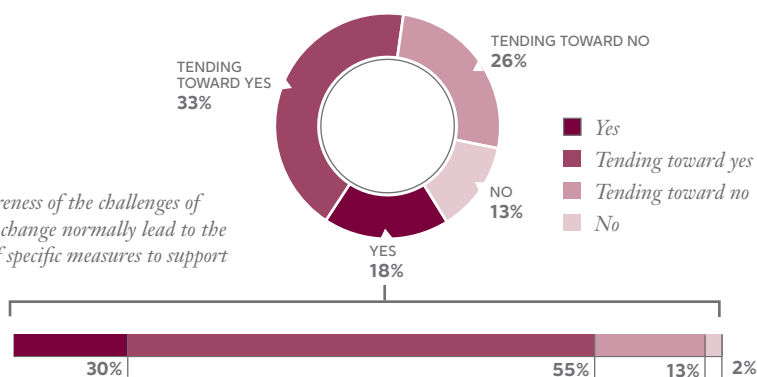
Initiator/Project sponsor, Canada, Consumer Products

FIGURE 10 BEING MERELY AWARE OF CHANGE COMPLEXITY IS INSUFFICIENT

Action as a result of awareness is critical to more successful change efforts.

Within your organization, do you think there is sufficient awareness of the challenges associated with implementing change?

Does this awareness of the challenges of implementing change normally lead to the introduction of specific measures to support the change?



GAINING REAL INSIGHTS AND TURNING THEM INTO ACTIONS

Early awareness and actions are critical to address the top organizational challenges inherent in change projects shown earlier: mindsets, attitudes, culture and complexity. Such changes do not happen automatically – Change Masters address them early, plan carefully and execute rigorously.

Changing an organization requires complex change simultaneously at many levels – and organizations tend to build a kind of “immune system” to fend off disruptive influences. Early awareness and consequent action help to address the natural response of an organization to resist attempts to change it. Some practical steps include:

HOOK INTO THE HISTORY

Provide change leaders with access to historical data, people surveys, culture assessments and “war stories,” as well as the people involved in previous projects, if possible. Learn from both good and bad experiences and be especially vigilant in seeking insights into the soft aspects of the organization undergoing change.

OPEN YOUR EYES...WIDE!

Examine the project’s scope, likely impacts and expected outcomes carefully. Assess the dimensions of the change – people, culture,

behavior and organizational aspects, as well as process and technology impacts. Be realistic in defining the necessary change and communicate that information widely within the organization.

PLAN AND ADJUST

With a thorough understanding of project complexities, build a change plan to address them. As the plan is communicated, tested and executed, be prepared to adapt it frequently as needed to handle the unexpected.

TAKE A LONG VIEW

Be prepared to build and execute plans to address the “soft stuff” well beyond the formal end date of the project to deliver business value. Changing these aspects takes time, patience, and consistent and continuous activity. Be prepared to continue these activities beyond project boundaries deeper into the organization.

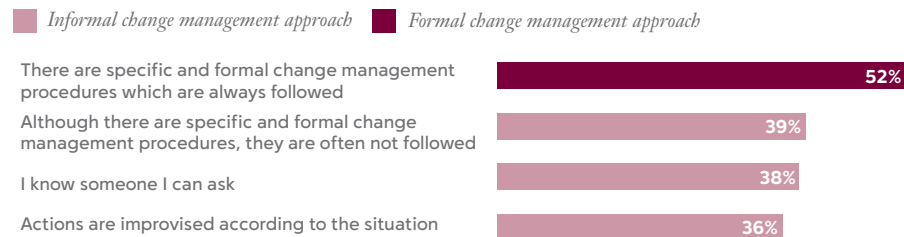
SOLID METHODS, SOLID BENEFITS

For most organizations, classic project management, with its formal and structured elements, has been used for decades. But formal change management methods have not yet permeated business or project operations to a significant degree. Today's change management, if explicitly performed at all, often occurs in the form of improvised solutions.

But a consistent and structured change management approach yielded tangible benefits for companies in our study. Practitioners who **always follow specific and formal change management procedures** had a 52 percent project success rate, compared to a 36 percent success rate for practitioners who **improvise according to the situation**. It is interesting to note that even those who had a formal method – but did not use it consistently – fared slightly better than those who improvised (39 percent, versus 38 and 36 percent).

FIGURE 11 FORMAL CHANGE MANAGEMENT METHODS CAN ONLY IMPROVE PROJECT SUCCESS IF THEY ARE APPLIED

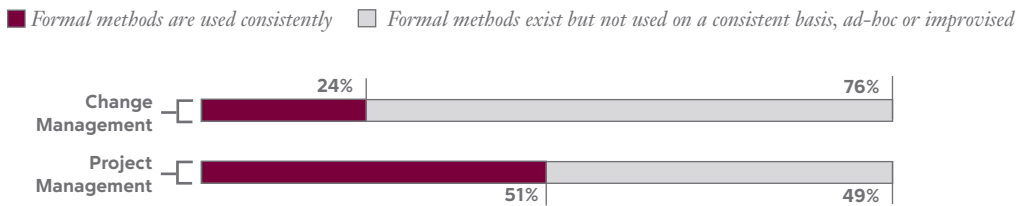
Project success rates were best for organizations that consistently used structured change management methods – a variety of less formal approaches all resulted in success rates below average (41 percent).



Only 24 percent of practitioners in our study consistently used formal change management methods. Seventy-six percent said their approach to change management was usually informal (25 percent), ad hoc (8 percent) or improvised (43 percent). In contrast, just over half of our respondents applied formal project management procedures consistently.

FIGURE 12 CHANGE MANAGEMENT METHODS ARE USUALLY INFORMAL, AD HOC OR IMPROVISED

Seventy-six percent of organizations use a change management approach that is typically informal, ad hoc or improvised; by contrast, 49 percent of organizations failed to use formal project management methods consistently.



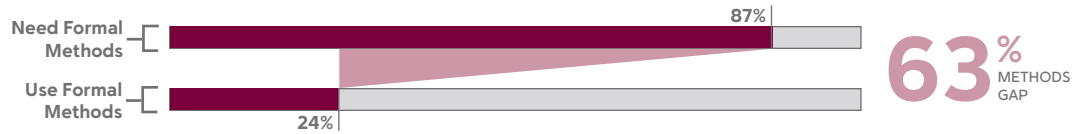
Overwhelmingly, the change management approaches of project leaders are quite immature. As organizations face increases in both the absolute volume of change and its level of complexity, widespread improvisation must yield to professional, formal change management methods – a priority most are beginning to recognize.

When asked whether standard change management approaches are necessary, 87 percent of practitioners answered either **yes** or **tending toward yes**. This contrast – between those seeing the value of standard methods and those actually using them – indicates that the need for change is outpacing organizations’ current capability to manage it systematically: in essence, it is a “Methods Gap.”

FIGURE 13 THE METHODS GAP

Despite the overwhelming majority of project leaders who recognize the value in standardizing change management practices, very few consistently use a systematic approach.

■ Percent answering "yes"



.....
 “Following a good solid methodology that integrates with the project really helps to make a quicker start on the change journey...”

Change Manager, Australia, Government

MAKING GOOD USE OF METHODS

Growing project complexity and increased sensitivity regarding the “softer” or hidden dimensions of change is accelerating the establishment of formal change management in the project mainstream and its integration into project management. Change management is transforming gradually from an art to a profession, similar to the evolution of the project management discipline, which has undergone a formalization that started about four decades ago.

Putting solid methods into practice begins with allocating resources to enact a change method that is aligned with the organization’s project management approach. Then it must be used consistently throughout the organization. Developing a standard change methodology should include these practical steps:

INTEGRATE, INTEGRATE, INTEGRATE

Manage change as a formal workstream within each and every project, integrated closely with project management and managed with the same rigor.

KEEP ALL EYES ON “THE PRIZE”

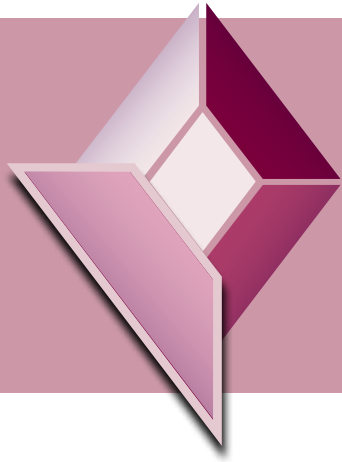
Control the scope of the change effort to remain focused on activities that drive the realization of benefits defined by the original business case.

DRIVE CONSISTENCY

Develop and promote a standard change method that can be applied consistently from project to project within your organization. Communicate this widely and monitor its adoption.

EMBED IN THE CULTURE

Include the change method and associated competencies as part of the development program for future leaders.



BETTER SKILLS, BETTER CHANGE

Using more experienced and skilled change managers and project sponsors can mean reduced risk of troubled projects. Effective change leadership in the form of dedicated change managers and credible and experienced sponsors is critical. It is equally important to cascade leadership responsibility to all levels of the organization, creating empowered employees who support and enact change.

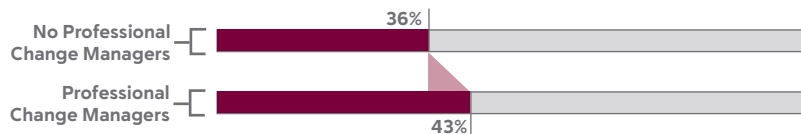
THE IMPACT OF DEDICATED CHANGE MANAGERS

Practitioners found that dedicating a change manager to a project increased the likelihood of project success. Yet 20 percent of change projects did not involve a change manager at all. Projects with a professional change manager had a 43 percent success rate, compared to a 36 percent success rate for projects without one.

FIGURE 14 SHARE OF SUCCESSFUL PROJECTS, INVOLVEMENT OF CHANGE MANAGERS

Success rates rose when a change manager was used on a project.

■ *Share of successful projects*



19%
SUCCESS RATE
INCREASE

TOP MANAGEMENT SPONSORSHIP

Our findings showed that practitioners consider top management sponsorship to be the most critical factor for making change successful. To improve strategy execution, leaders need to engage, enable and empower employees at all levels of the organization.⁹ Top sponsorship is equally vital in other areas like setting corporate culture and allocating resources, including the change managers themselves.

EMPLOYEE INVOLVEMENT MAKES SUCCESS MORE LIKELY

Our findings suggest the need for broader inclusion of people at different levels in the organization. Besides the familiar top-down hierarchy that formally cascades unit-specific information, Change Masters see the value in and make use of informal, more self-organized communications structures, such as social networks, “the grapevine,” and informal communities of interest that exist in all organizations.

Engaging employees through involvement and two-way communication is a powerful combination: 72 percent of practitioners believe employee involvement is crucial and 70 percent believe honest and timely communication is important. Better communications and employee involvement enable and empower people, then change happens **through** them – not just **to** them.

.....
“Facilitate involvement of employees and allow them to exercise influence over the change process.”

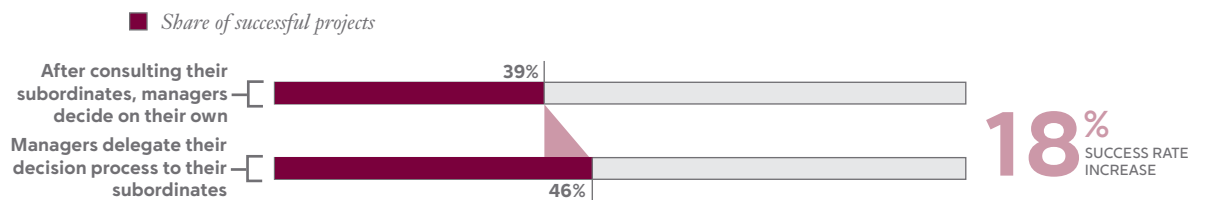
Project Sponsor, Canada, Life Sciences and Pharmaceuticals
.....

PARTICIPATIVE LEADERSHIP

Change leaders with participative leadership styles were more likely to have successful projects. A strong culture of empowerment and delegation of decision-making power distributes responsibility for change throughout the organization. Leaders who delegate the decision process to their subordinates had a 46 percent project success rate, compared to a 39 percent success rate for those who consult with subordinates, then make decisions on their own.

FIGURE 15 SHARE OF SUCCESSFUL PROJECTS, A COMPARISON OF LEADERSHIP STYLES

Leadership styles had an important impact on project outcomes..



LEVERAGING SKILLS FOR BETTER CHANGE

For teams involved in change, enabling skills and engagement across the organization should be a key priority to help build the capabilities to support continuous change. Some practical suggestions include:

LEAD FROM THE TOP

Set vision and direction clearly, allocating resources and establishing corporate culture from the top. A change sponsor should be actively and visibly involved in setting overall direction, publicly communicating at all levels and using different techniques and media, and dedicating the right skilled resources to the change effort.

INVOLVE THE PEOPLE

Emphasize employee involvement to ease resistance to change, at both individual and group levels, and set in place mechanisms to encourage this involvement.

COMMUNICATE OR FAIL

Enable honest and timely two-way communication to build trust and commitment to change programs and leaders, and reduce resistance. Use multiple channels and different media. Take time to understand the audience and how they like to communicate.

GET THE RIGHT SKILLS – EVERYWHERE

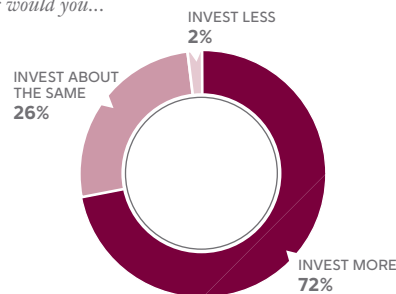
Enable rapid development of internal skills to keep pace with changes in the external environment. Consider the establishment of a sustainable change management capability within the organization.

RIGHT INVESTMENT, RIGHT IMPACT

The right budget for change management, spent effectively on the right things translated into a significantly higher likelihood of project success. However, depending upon the objectives of a particular project, the “right” level of investment in change management will vary. Reinforcing the anticipated value from such investments, a massive 72 percent of project leaders would like to invest more in change management for future projects.

FIGURE 16 THE MAJORITY OF PROJECT LEADERS WOULD LIKE TO INVEST MORE TO CLOSE THE CHANGE GAP
Comparing current investments to plans for future projects.

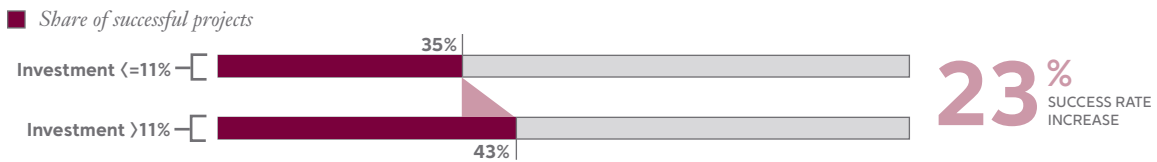
Compared to current investment in change management, on future projects would you...



In fact, top organizations invested only 18 percent more in change than others, but were rewarded with significantly higher project success. This incremental amount was typically used to focus on developing insights, methods and the right skills to be truly effective. Project success rates were 23 percent higher when the amount invested in change was greater than 11 percent of the project budget.

FIGURE 17 INVESTMENT LEVELS

Organizations that invested less than 11 percent in change had a 35 percent success rate; those that invested more than 11 percent had a 43 percent success rate.



Making more effective investments in change is not about blindly diverting unlimited sums of money into projects. Rather, it is about cutting the diamond precisely, through focused investments in the right things for each specific situation.

INVESTING WISELY IN CHANGE MANAGEMENT

Organizations need the right budget to build strategic capabilities and integrate them into organizational processes and structures – investing just a little more than average per project can greatly improve results. Change Masters consider money spent on change management as an investment, rather than an expenditure. Some practical ideas include:

TACKLE COMPLEXITY BEFORE IT TACKLES YOU

Invest up front in gaining and acting upon insights that can help you avoid and overcome both expected and unexpected hurdles during the course of a project.

.....

“The ability to demonstrate the benefits of a change program was key in the shift in thinking.”

Project Manager, Canada, Life Sciences and Pharmaceuticals

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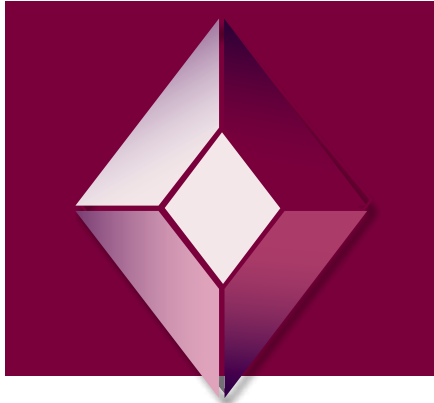
REMEMBER TO EMPHASIZE THE HUMAN TOUCH

Invest in skills by using well-trained change managers more consistently and enable widespread communications that engage employees across all organizational levels.

PUT SOME METHOD INTO YOUR MADNESS

Invest in establishing standardized methods to build more effective and long-term capabilities that support change efforts, and remain vigilant about project spending overall.

SHINING THE DIAMOND FOR EXTRAORDINARY RESULTS



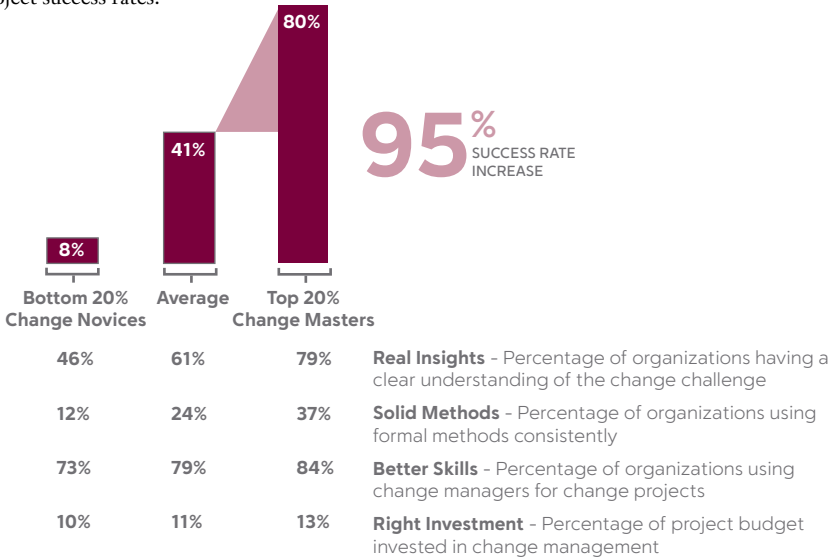
CHANGE MASTERS: THEIR SECRETS FOR SUCCESS

Our search for the key to greater project success brings us back to the Change Masters, who achieved success rates nearly double the average. We discovered that Change Masters did not limit their focus to just one facet of the Change Diamond.

Instead, this group took actions related to each of the four facets of the Change Diamond – and project success improved substantially as a result. Conversely, Change Novices underutilized every facet and had far inferior results, even when compared to just the average.

FIGURE 18 HOW CHANGE MASTERS AND CHANGE NOVICES UTILIZED OR UNDERUTILIZED EACH FACET

High concentration on all facets of the Change Diamond correlated to significantly higher project success rates.

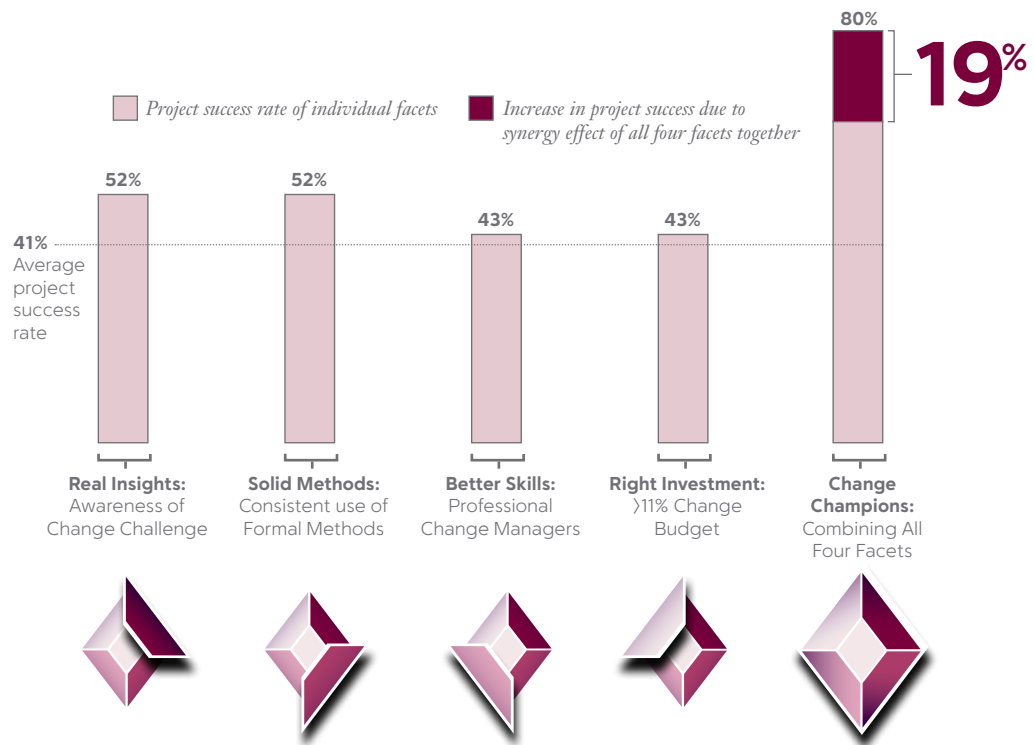


THE WHOLE CHANGE DIAMOND: GREATER THAN THE SUM OF ITS PARTS

While each Change Diamond facet had a distinct benefit individually, when companies combined all four facets their overall project success increased dramatically – far more than the sum of the parts would indicate. Neglecting even one area can inhibit change excellence.

FIGURE 19 INDIVIDUAL VERSUS AGGREGATE EFFECT OF VARIOUS ACTIONS

Combining all four Change Diamond facets resulted in an outstanding increase in project success.



To truly shine in enacting change, organizations need to “polish” all four facets of their Change Diamond.

By combining all four facets, Change Masters attained an 80 percent success rate – an increase far beyond the sum of the individual effects. Together, Figures 18 and 19 demonstrate the potential rewards of devoting attention to:

- ◆ **REAL INSIGHTS, REAL ACTIONS**
- ◆ **BETTER SKILLS, BETTER CHANGE**
- ◆ **SOLID METHODS, SOLID BENEFITS**
- ◆ **RIGHT INVESTMENT, RIGHT IMPACT.**

ARE YOU READY?

Ask yourself the list of questions below, entering a checkmark in the applicable column. Your checkmarks can help you identify your current strengths and weaknesses regarding each of the four facets of the Change Diamond. The resulting pattern can help your organization pinpoint where to take actions now to learn how to better deal with change and reap the benefits of handling it well.

FIGURE 20 HOW DO YOU RANK ON THE CHANGE DIAMOND FACETS

Look for patterns in your answers to see where your organization most needs to improve.

GAINING REAL INSIGHTS AND TURNING THEM INTO ACTIONS

Does your organization have a good common understanding of why projects have failed or succeeded in the past?

YES	TENDING TOWARD YES	TENDING TOWARD NO	NO
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Are the people and cultural aspects of the change plan given emphasis equal to that placed on process and technological changes?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

Is change viewed as a long-term transformation that's part of a strategy, as opposed being seen as a succession of individual separate projects?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

MAKING GOOD USE OF METHODS

Does your organization have a consistent, tried and accepted method for change management that is applied to every project?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Do all projects have an approved business case, and a method for identifying and tracking benefits against that case?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

Is change managed as a formal workstream in all significant projects?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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LEVERAGING SKILLS FOR BETTER CHANGE

Does your organization invest in building change management skills which can be leveraged across projects?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Is the role of a project sponsor well-defined, and is that role held accountable for specific communication and direction setting tasks?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Are there processes and technologies in place to allow people to become involved in the change, get accurate information and provide feedback?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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INVESTING WISELY IN CHANGE MANAGEMENT

Does your organization include change as a line item when budgeting projects?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Is your change management budget set relative to project complexity and risk, as opposed to a straight percentage?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

Is the change budget focused largely on understanding and reacting to complexity, developing consistent methods and acquiring the best change skills?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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CONCLUSION

While the Enterprise of the Future is indeed hungry for change, our Making Change Work study shows that executing change well remains the exception, though certainly an achievable goal. Our research with practitioners revealed practical insights about closing the change gap – including the insight that soft, people-related factors typically present greater challenges than hard, technology-related factors that are typically easier to identify and measure.

Companies can no longer justify or afford an *ad hoc* approach to change management. We discovered that change management is at a turning point from an art to a professional discussion, from improvisation to a richer, more systematic approach, based on clear empirical perspectives on what works and what does not.

Improving project outcomes requires attention to a combination of acting on real insights, employing better skills, establishing solid methods and allocating the right investments. By focusing on all four facets of the Change Diamond, organizations can gain synergies that make change work in their favor: delivering more successful projects and building a change management capability that is vital to becoming an Enterprise of the Future.

THE IBM INSTITUTE FOR BUSINESS VALUE

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This executive brief is based on an in-depth study by the Strategy & Change team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information. For the IBM 2008 Global CEO Study referenced in this study, go to: ibm.com/enterpriseofthefuture. For other relevant studies, you may also browse our Web site ibm.com/iibv.

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⁹ The findings from this study align with the academic literature. See for example: Kotter, John. "Leading Change: Why Transformation Efforts Fail." *Harvard Business Review*. March-April 1995.



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