CHANGE AGILITY: READINESS FOR STRATEGY IMPLEMENTATION

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How Well-prepared are Organizations for Strategy Success?

In 1999, the United States Congress enacted the Gramm–Leach–Bliley Act eliminating legal barriers between commercial banks, investment banks, securities firms and insurance companies and allowing each to develop and sell products and services that had been carefully restricted to a single sector. Banks and insurance companies could now sell securities. Securities firms could now offer banking and insurance. This set off a rash of large-scale strategic changes in all these types of financial institutions as they tried to add product and service offerings that had heretofore been walled off. Big change programs, including mergers and partnerships as well as massive new capability development, were undertaken. The goal was to become full-service, integrated financial service providers for their clients.

Fourteen years later, few of these institutions would say they have realized the full extent of their strategies. Far from having a fully integrated portfolio of financial products, some have closed down the new product offerings they initiated. Others have been unable to get their new products beyond the “poor stepchild” position in their portfolio of products and services. Many of the mergers didn’t work as planned. In short, they failed to fully implement their strategies.

Most of these companies did a credible job of program and project management—including change management—in implementing their strategic changes. So why were they unable to achieve the strategies they envisioned? The following is a sampling of the reflections from the industry:

- **Cultures didn’t mesh.** Banks’ and insurance companies’ products are successful with slow, steady growth over a long timeframe. Securities’ value growth is realized in short-term buying and selling. Decision-making in the former is slow and deliberate, and more opportunistic in the latter.

- **Capability build-up takes longer than anticipated.** Even if an insurance company could “buy” securities professionals or a securities firm could “buy” insurance agents, establishing the processes and systems and links to other customer products is still a barrier without the process to allow them to be successfully applied. Training sales people to move smoothly and credibly across product lines was, and continues to be, painfully difficult. Just having the knowledge or experience in this scale of change undertaking was a barrier.

- **Customers weren’t ready for the change.** They had a hard time seeing their staid banker as a knowledgeable stock jockey, or their stock brokerage as the place to do their banking.

Could better change management during implementation have improved their results? Maybe, to an extent, but the overarching issues these organizations articulated couldn’t be resolved in the limited time it took to complete implementation. Many of these firms recognized at the outset that even though they weren’t in a good position to absorb these changes, they felt compelled for competitive reasons to proceed with them. It was a catch-22—an opportunity presented itself and demanded a quick response, but they knew they weren’t ready to fully take advantage of the opportunity. They knew that no matter how many resources they threw at this change and how well they implemented, they were too far behind the curve to realize the kind of strategic...
success that was needed. As one CEO asked his executive team, “What could we have been doing all along as part of our strategy to make sure our company is ready to change when it needs to?”

This example of inadequate change agility is unusually clear because it came quickly and affected an entire industry. But every day, the same scenarios are played out in microcosm in companies all over the globe. Beginning with Kotter’s research (1995) and followed by McKinsey & Company’s work (2010), organizations self-reported that only about 30% of their strategic change programs were successful. More recently, The Economist Intelligence Unit’s (EIU, 2013) survey of 587 global C-suite executives reported that, “on average, only 56% of strategic initiatives have been successfully implemented in the last three years at their organizations.” But a study by Towers Watson (2013) dims the light on that seeming improvement in success: “Employers felt 55% of change management initiatives met initial objectives, but only 25% felt gains were sustained over time.” So the disappointing 30% long-term success rate persists.

**Historical efforts to improve strategy implementation success**

In response to continuing poor results of change programs, businesses have started to more thoughtfully address the question posed by the financial services CEO, and consultants and professional organizations have joined the quest for greater change success. This has resulted in promising trends.

There has been growing recognition that good change management during the course of programs and projects helps to increase their success. The Project Management Institute’s (PMI) *Pulse of the Profession® In-Depth Report: Organizational Agility* (PMI, 2012a) notes that organizations that have implemented good change management practices are 117% more likely to report increased success with new initiatives than those organizations that have not established strong change management cultures. To support this finding, PMI published *Managing Change in Organizations: A Practice Guide* (PMI, 2013a) offering a comprehensive approach to integrating change management within the domains of organizational project management. Other organizations and authors are offering additional advice on effective change management.

The sponsorship of change has also received attention. The Economist Intelligence Unit (EIU, 2013) found that approximately 50% of strategic initiatives do not receive appropriate executive-level attention and “28% admit that individual projects to implement strategy do not typically obtain the necessary senior-level sponsorship.” PMI has long been a promoter of strong sponsorship, and has clarified its link with organizational change in a recent white paper, *The Sponsor as the Face of Organizational Change* (PMI, 2013b).

The role of project/program management offices (PMOs) and portfolio management in interpreting, governing, and guiding strategic change is also emerging. Tabrizi (2007) suggested that PMOs guide and integrate the definition and planning effort for organizational change, as well as manage its implementation. Echoing that strategic role, American Productivity & Quality Center (APQC, 2013) attests that “Best-practice PMOs go beyond alignment with strategic initiatives; they are involved in creating and implementing organizational strategy.” PMI and Boston Consulting Group (BCG, 2013) have begun to define this more strategic role for PMOs in their joint report *Strategic Initiative Management: The PMO Imperative*. PMI’s *Pulse of the Profession® In-Depth Report: Portfolio Management* (PMI, 2012b) also points to the value of enterprise portfolio management in attaining strategic goals: “Organizations that described themselves as highly effective in portfolio management increased the average number of projects meeting or exceeding their forecasted ROI by nearly 30 percent compared to those that described themselves as minimally effective.”
Each of these directions represents an important strategic enabler for successful strategy implementation. Yet, fully addressing change agility calls for a more in-depth look at the factors that impede strategy realization.

CEOs identify causes for incomplete strategy implementation that are strikingly similar to those identified by the financial services industry. In a study of CEOs, IBM (2008) identified the top challenges to successfully implementing strategic change as:

1. Changing mindsets and attitudes (58%)
2. Corporate culture (49%)
3. Underestimation of complexity (35%)
4. Shortage of resources (33%)
5. Lack of higher management commitment (32%)
6. Lack of change know-how (20%)
7. Lack of motivation of involved employees (16%)

These challenges are difficult to address in a single change effort. They are pervasive organizational dilemmas that demand strategies of their own: strategies to modify impeding cultural norms and motivations; strategies to assure knowledgeable resources are available for deployment when needed; and strategies to assure sustained management commitment to the direction of the company and its implementation.
The Case for Change Agility as a Means to Improve Strategy Realization

Change agility defined
Change agility can be described by what it is, how it is accomplished, and what it intends to impact to improve the frequency and completeness of strategic change:

- **What:** Change agility is the intentional and planned preparation of the organization to enhance the likelihood that its strategies—realized through portfolio, program and project management, including the change management components—will produce the intended strategic benefits.

- **How:** The change agility review process assesses and leads to enhanced organizational agility and operational capability to respond effectively to opportunities or challenges.

- **To What End:** It is aimed at creating an environment of personal and organizational norms, structures, and processes that are more fluid and adaptive.

Change agility supports strategy implementation realized through projects and programs:

- **Scope:** Duplication of change management activities across the portfolio of programs and projects is reduced. For example, a change agility strategy to develop common understanding of and commitment to sponsorship responsibilities reduces the need in every program/project for change management activities to secure enthusiastic, ongoing sponsorship.

- **Schedule:** Change agility provides for smoother strategic change implementation with fewer impediments.

- **Cost:** Much of the cost overrun in any program or project is caused by unforeseen risks—or foreseen but more stubborn or impactful risks—than anticipated. Change agility enhancement works to mitigate risks that are endemic to the organization.

- **Benefits Realization:** As noted by CEOs in many studies, strategy realization is often incomplete. A change may have been implemented, but the intended result was not fully realized. Change agility enhancement addresses factors most commonly associated with underachievement of the benefits of a change program.

Today’s business environment requires greater change agility
The importance of deeper organization-wide change readiness comes into even greater focus with the prevalence of change in today’s marketplace. Today, companies operate in a world of unprecedented change. And while change has always been a constant in business, the pace of change is dramatically different than it was five or ten years ago. Boston Consulting Group (BCG, 2013) research notes that the volatility of business operating margins has more than doubled since the 1980s. Moreover, turbulence—defined as volatility in
demand, competition, margins, and capital market expectations—strikes more frequently today. More than half of the most turbulent fiscal quarters of the past 30 years have occurred in the last decade. Across multiple industries, there is considerably more churn as companies in the top three positions are being overtaken by stronger competitors. And market leadership is no longer a guarantee of financial success—the former strong correlation between market share and profitability has faded significantly in a number of sectors. This creates risk for companies that cannot keep up and opportunities for those that can.

BCG’s research points out the tension between strategy implementation and change readiness, not unlike that experienced by the financial industry in the wake of the Gramm–Leach–Bliley Act.

Organizations report a lack of organizational agility for change. *Pulse of the Profession® In-Depth Report: Organizational Agility* (PMI, 2012a) reports that executives recognize that today’s turbulent environment demands organizational agility to support the need for innovation and change. However, only 12 percent of organizations surveyed in 2012 felt they were highly agile, and that rate had declined from 23 percent in 2008.

The need for organizational change agility could not be clearer. Most organizations use change management as a means to deal with the needs of a specific change. But if they can leverage elements of change agility as part of an overall corporate strategy, and thoughtfully plan to diminish barriers and enhance supporting culture, systems and structures, the change management efforts of any given project or program will be less onerous and more likely to succeed. (See Case Study: Preparing for Agility on page 9 as an example.) Planned change agility paves the way for successful strategy implementation.

<table>
<thead>
<tr>
<th>Execute Multiple Individual Strategies</th>
<th>Implement Strategy to Enhance Change Agility</th>
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<tbody>
<tr>
<td>Secure engaged sponsors</td>
<td>Establish common understanding of sponsor behaviors and expectations</td>
</tr>
<tr>
<td>Encourage collaborative work</td>
<td>Modify reward systems to favor team collaboration over individual contributions</td>
</tr>
<tr>
<td>Promote rapid decision-making</td>
<td>Establish decision authorities at lowest possible level; eliminate layers of governing structures</td>
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**Figure 1:** Implementing change agility strategies takes the onus off change management efforts of individual strategy implementation programs.
Understanding Change Agility

The undeniable difficulty of change

Change is difficult, individually and organizationally. Individually, humans seek stability, and research has shown that even when they accept and internalize the value of change, they frequently fail to change. Kegan and Lahey (2009) suggest that even when we set clear goals, we simultaneously and unconsciously establish barriers that undermine those plans—competing commitments, assumptions, behaviors and beliefs. This is the “knowing/doing gap”. A familiar example is when someone believes in and commits to the personal value of healthy exercise, but fails to do so because of competing time commitments and fears that exercise will be too hard.

Organizationally, there is a similar tendency to stasis. Amburgey, Kelly & Barnett (1993) cite earlier work by Hannan and Freeman in which they offered a theory of structural inertia, noting:

*They argued that organizations exist because they are able to perform reliably and, if questioned, to account rationally for their actions. Reliability and accountability are high when organizational goals are institutionalized and patterns of organizational activity are routinized, but institutionalization and routinization also generate strong pressures against organizational change. Thus, the very characteristics that give an organization stability also generate resistance to change and reduce the probability of change.*

Add to this “routinization” the effects of organizational culture. Culture is a set of beliefs, assumptions and behaviors shared in the organization. It is reinforced by group norms, and so becomes self-fulfilling. It is also fundamentally backward-looking, made up of data points about what has worked in the past. Influencing culture during change is difficult because it calls into question an organizational belief system that feels time-tested.

Any attempt to address change agility faces ingrained personal and organizational DNA. Change agility is hard because change is hard.

Characteristics of a change-agile organization

If change agility is the planned preparation of the organization to better implement its strategies, the first question to be asked is “What do we need to impact?”

A thematic compilation and review of decades of research identifies the hallmarks of the change-agile organization. This research review pinpointed the hallmarks crucial to organizations’ successful and complete strategy implementation. Themes are summarized in Figures 2 (on page 8) and 3 (on page 10).
Key operational systems of change agility

Operationalizing change through programs and projects requires effective execution in the 10 Knowledge Areas outlined in *A Guide to the Project Management Body of Knowledge (PMBOOK® Guide)* (PMI, 2013c). Within those Knowledge Areas, the most change-agile organizations have laid groundwork to improve time management by careful attention to improvements in three areas of stakeholder management: leadership, work norms, and learning and sharing. By improving these operational systems organization-wide, the change agile organization:

- Levels the road for the implementation process.
- Creates the conditions for faster and more sustained adoption of the change.

The change-agile organization focuses improvement efforts on four operational systems that most significantly influence agility.

1. **Time**: Rapid triage, response, decision-making, strategic implementation—and rapid change because culture, leadership interests, business models, processes and people’s knowledge are aligned. Time is supported by the three other dimensions.

2. **Leadership**: Trust built through transparency and openness to challenges and innovation risk, and unwavering interest (individually and as a leadership team) in creating, delivering and sustaining well-considered innovative strategies. Leadership supports the remaining two dimensions.

3. **Work norms**: Supporting holistic, integrated, collaborative work with broad involvement, both inside the organization and with outside partners, customers, suppliers, and even competitors.

4. **Learning and sharing**: Intentional and intensive knowledge-sharing through lessons learned from both experience and from multiple types of expertise, and supported by institutionalized processes for strategy development and implementation.
Causal drivers of performance in change agility

What change-agile organizations have found is that impacting these four operational systems of change agility requires a deep understanding of what drives the systems to be successful—or not. One organization saw repeatedly that sponsorship was tepid. It undertook some of the most obvious improvements—getting agreement on the responsibilities of a sponsor and providing training to all executives on sponsorship. But no significant improvement occurred. When the organization dug more deeply into causes, it recognized that the cultural tendency to avoid confrontation caused sponsors to withhold support when the programs created conflicts with peers. The organization’s next improvement efforts were in building a “contract” among executives about how they would respectfully address conflicting priorities and commit to both voicing and working out differences. The organization cemented it with changes to performance measures.

In addition, change-agile organizations recognize that causal drivers of one problem may be created or impacted by other causal drivers. In the example above, there was a strong culture of business unit autonomy. Before the executives could agree on how they would address conflicting priorities, they had to agree on how they would modify their viewpoint of what they could do independently and where they had to work together more effectively. Causal drivers of change agility are interlocking gears; they cannot be viewed optimally as distinct areas of focus.

The literature points to three interlocking causal drivers that either aid or impede change agility:

1. The cultural norms of the organization,
2. The ways in which its leaders commit themselves to effective change, and
3. The capacity of the organization to plan, resource, implement and absorb change.

Consider these more in-depth thematic findings in the context of Figure 3.
The change-agile organization is distinguished by certain drivers of its capacity to respond to change effectively, rapidly, and with sustained success:

1. Culturally, the organization, its leadership and employees are:
   - Tuned to their market environment, responsive to trends, and innovative in thinking ahead to their next moves;
   - Holistic and integrative, marked by boundary fluidity (including boundaries outside the organization);
   - Lean in organization structures and decision-making;
   - Collaborative and coordinated in work styles, with interactions marked by trust;
   - Inviting of all data points, input, and challenges as part of a healthy dialogue about the organization’s future and best options to get there; and
   - Insistent on knowledge-sharing and personal, team and organization development.

2. The organization and its leaders commit to change as a productive way of life:
   - They accept change as inherent and seek out sources of volatility and complexity in their environment;
   - They build an attitude of change as normal and work to ensure successful change as the experienced norm;
   - They are ruthless in triaging change opportunities and culling those with poor value alignment or poor match with cultural and resource capabilities;
   - They both accept challenge to direction and insist on above-board debate rather than below-the-surface complaints; and
   - They are active in supporting change efforts before, during, and after implementation to assure ultimate strategy achievement.

   Commitment is supported by the culture.

3. The organization’s business models, processes and systems (capacities) support:
   - Lean and adaptable business models and processes;
   - A digestible inventory of change;
   - Well-understood and well-used processes for idea development, change management and organizational portfolio, program, and project management;
   - Constant improvement of these processes;
   - Inclusive, respectful, iterative—and rapid—plan development and decision-making;
   - Development of resource accessibility, capability and expertise in key areas needed for the organization’s changes; and
   - Reward systems that are supportive of all of the above themes.

   Capacity is supported by leadership commitment.
Building Change Agility: The Strategic Process for Improvement

Change agility is not a destination or a defined state of maturity. It is a continuous quest, informed by changing internal and external factors. Change agility is enhanced through an intentional management process of continuous improvement in the organization’s ability to both respond to environmental change to remain competitive, and to proactively initiate change to leverage opportunities. This intentional process is an internal strategy process focused on developing and sustaining organizational capability, much like a talent development/succession planning process. A talent development strategy aims to define the organization’s overall talent needs for the future and to influence such things as what people learn during their careers; how they behave and interact in the organization; and how people are selected to fill certain roles. Similarly, a strategy for change agility considers what the organization’s needs are for change over time, and influences such things as what people need to know, how they behave and interact, and how they play out roles.

So the improvement of change agility is best positioned as an internal strategy aimed at improving the organization’s capability and capacity to change rapidly and effectively when the need arises. Like other internal strategies that position the organization to be effective (talent development and succession planning, strategic sourcing, sales force selection and development, etc.), change agility deserves intentional strategic discussion and planning.

As with any internal improvement strategy, the quest for change agility includes the steps of:

- **Defining the desired state:**
  In undertaking a strategic review of organizational change agility, the process of defining the desired state is staking out a few key areas that will best aid the organization in becoming more agile. It may be completed prior to assessing the current state or after that activity.

- **Assessing the current state:**
  This assessment helps to tease out both the visible manifestations of impediments and underlying causal drivers, and highlights more clearly what measures will be most effective in improving agility. In conducting an assessment of the current state, it is critical to gain an accurate picture of both the obvious and the hidden attributes.

- **Performing a gap analysis:**
  The purpose of a gap analysis is to define the richest areas for improvements. The thematic compilation of areas for improvement gathered in the current state assessment is the primary input to this work. If a desired state was defined prior to the current state assessment, it will also be input to the gap analysis.
■ **Developing and executing the program:**
Once the strategies are selected based on the gap analysis, the strategies need to be championed, and programs and projects identified to carry them out. As with programs and projects to achieve other company strategies, change agility programs and projects are appropriately governed to strategic success as part of a portfolio of efforts being undertaken by the organization. This governance is well served through a portfolio management process and function that gives clear authority for monitoring both the programs of work and the environment in which they are to be implemented.

■ **Reassessing/measuring to determine success:**
Arguably, it is even more important to assess the success of change agility efforts than it is of any other organizational change. Whenever change touches on culture and peoples’ behavior, there is a high tendency to return to life as usual if there is little commitment to ongoing measurement and reassessment of the success of the changes over time. As with any other program or project, measures of short- and long-term success of the change agility program will be established as part of the journey from strategy to execution and benefits realization.

This five-step process is not a once-and-done activity. The entire process should be repeated on a periodic basis.

Guidance on conducting each of the five steps is detailed in a companion paper titled *Building Change Agility: The Strategic Process for Agility Improvement*. That paper walks through the details of each step and identifies considerations that should be taken into account—providing processes and methods for ensuring a complete and viable program for improving organizational change agility.
Change Agility, Change Management, and Organizational Project Management

It is important to emphasize the value to an organization of purposefully integrating the crucial capabilities of change agility, change management, and organizational project, program, and portfolio management to maximize the organizational capability for successful strategy achievement.

Strategies are only realized when they are well-implemented, and that is true for change agility strategies as well. And projects to implement strategies are less effective in delivering those strategies when there is not a clear set of organizational systems assuring the smooth transition from strategic direction to actual results. More organizations are beginning to realize that project management means more than just having good project managers. An integrated leadership, management, and support environment is just as critical for the delivery of strategies.

Figure 4 demonstrates a fully functioning strategy delivery system.

**Figure 4: Integration of critical organizational processes for strategy delivery**

- **Process to develop strategies**
  - **External strategy development**
    - Market penetration
    - Customer loyalty
    - Etc.
  - **Internal strategy development**
    - Change agility
    - Talent development
    - Strategic sourcing
    - Etc.

- **Process(es) to organize and oversee delivery and success of strategies**
  - **Portfolio management**
    - Align strategy to outcomes
    - Assure effective implementation
    - Measure success

- **Processes to deliver strategies and assure their adoption**
  - **Effective program and project implementation—external strategies**
  - **Effective change management**
  - **Effective program and project implementation—internal strategies**
  - **Sustained success of strategies**
    - Manage schedule, cost and quality of implementation
    - Manage the transition of people and processes
    - Manage the adaptation into business as usual
    - Assure sustained success
The process defined in this paper for developing change agility is part of an overall strategy development process that includes work done to define both external and internal strategies crucial to organizational success.

Yet, defining a good strategy and action plan is only part of the picture. No strategy operates in a vacuum. It must be integrated with and prioritized against other work efforts, resourced, championed, supported, and monitored. A portfolio management function (whether in a formalized enterprise PMO function, a strategic planning organization, or, in smaller organizations, combined into program management activities) plays critical roles in assuring the successful delivery and adoption of the strategies—external and internal—through such activities as:

- Translating strategies into programs of work;
- Assessing and assuring the inventory of strategic work is not placing undue demands on any part of the organization and that the full inventory is digestible by the organization;
- Aligning resources of the organization with work needed to implement changes;
- Identifying the ways in which success of the strategy will be measured; and
- Monitoring continually the environment to adjust the portfolio of programs and projects as conditions change.

Effective delivery of strategies is cemented by skilled capability and thoughtful application of program and project management, with the support of equally well-rounded change management processes. The portfolio, program, and project management processes also contribute to the organizational learning loop that drives future change agility strategy development.

- Projects and programs identify lessons learned that demonstrate both helpful and impeding cultural norms, commitment behaviors, and organizational capacities.
- Portfolio management functions identify such pervasive issues as change overload, resource holes, and poor understanding of the external environment that impact strategy success.

The success of change agility strategies requires the same purposeful implementation system as do external strategies.

Internal strategies also impact one another. A change agility strategy may require, in part, an effective talent development strategy or sourcing strategy—and a strategic sourcing strategy may require one or more change agility strategies.

The important message is that these strategy implementation systems must be holistically viewed and targeted for optimal delivery of the company’s strategies. In fact, the purposeful development of this set of linkages and expertise is, in itself, a worthy change agility strategy for many organizations.
Conclusion

Nearly 90% of the executives surveyed by The Economist Intelligence Unit (EIU, 2013) ranked organizational agility for change as vital to business success. And as described in PMI’s Pulse of the Profession® In-Depth Report: Organizational Agility (PMI, 2012a), organizations were three times more successful in implementing strategic changes when they had attended to such change agility practices as working well across organizational silos, effectively monitoring the external environment, and enacting formal change management processes within strong portfolio, program, and project management processes. There is ample evidence that organizational change agility is a crucial strategic enabler and worthy of intentional nurturing by every organization.

By treating the quest for organizational change agility as a part of the strategic planning cycle, and the systematic implementation of change agility improvements as a managed process of portfolios, programs and projects, organizations plan—rather than only hope for—their future success.

Like any other efforts at change, enhancing the systems that either impede or leverage change is a process fraught with the difficulties of resistance, competing viewpoints, gaps in leadership support, and all other forces that push back on change. Enhancing change agility is a long journey, but one that pays off by smoothing the road for future changes. By planning for the direction and conditions of that road, organizations can meet the challenges of strategy implementation in today’s business environment.
References


