

Executive Guidance

Boosting Corporate
Performance During
Change Initiatives

The only constant executives can count on today is **change.**

The Hidden Enemy of Productivity in the New Work Environment

An insurance provider was facing a new, surprising problem. Key indicators from its customer service teams—for so long a point of pride and differentiation—were faltering. Customer problems were taking longer to resolve, calls were dropping, and complaints unexpectedly spiked. The company needed to correct this problem immediately, and so it set out to answer the question, “What changed?”

Turns out, it wasn’t just one change—it was hundreds.

Executive investigation revealed that the organization was implementing over 300 changes simultaneously and that these changes had been piling up for months. And customer service was feeling the ripple effect from most of these changes, which was overwhelming the team.

Between dealing with increasingly frequent incoming calls and additions to their standard scripts as a result of new products and promotions, customer service was on the verge of drowning in a sea of change.

Leaders and employees at this company had always embraced a “can do” attitude toward transformation and growth, and this heads-down, feet-forward posture was a point of pride in the company culture. But seeing the extent of change, and its implications on the customer service team and customers, company leaders realized that this positive attitude toward change was masking employees’ fundamental inability to handle the new things being asked of them. It was actually harming employees’—and ultimately the company’s—performance.

The High—and Necessary—Cost of Change

Similar stories are playing out at companies around the world as they realize that major changes are required more frequently to stay competitive. Shareholders, boards, and CEOs expect companies to deliver above-average growth in a more volatile, complex, and rapidly changing economic and operational environment.

Executives today have no real choice when it comes to being more agile and responsive; they must respond to a host of organizational change “drivers,”

including new organizational realities (e.g., leadership transitions, M&A), macroeconomic shifts (e.g., changing customer demographics, new rules and regulations), and technological innovations (e.g., big data, mobile capabilities).

As the gap between change drivers narrows, change becomes a continuous reality rather than a periodic event. Many executives reported throughout 2015 that, ironically, **the only constant they can count on today is change.**

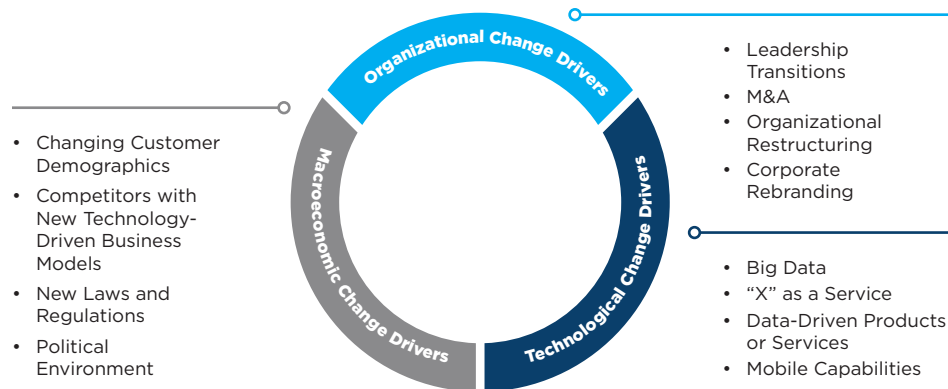
These rapidly shifting market realities are forcing organizations to adopt new growth strategies and accelerate transformation efforts to stay competitive.

CEB research has shown that organizations today are frequently involved in multiple—often simultaneous—enterprise changes, such as new growth strategies, mergers and acquisitions, IT transformations, entrance into new markets, and new product development. As many as 87% of executives recently surveyed expect change initiatives to remain constant or increase over the next three years.¹

Unfortunately, many organizations will fail to implement change effectively. In fact, the same survey revealed that only one-third of change efforts are clear successes: 16% show mixed results, and half are clear failures.

Although change efforts are undermined by many realities, there is no disputing that a key impediment is the workforce’s inability to quickly adapt. Instead of realizing the benefits from these initiatives, organizations are faced with declining productivity, stalled or failed projects, and low returns from their change investments.

Drivers of Enterprise Change



n = 305 organizations.

Source: CEB HR Change Readiness Survey.

Our Definition of Enterprise Change

An intentional change that organizations undertake to improve financial or operational performance, that affects a significant part of the enterprise, and that is often in anticipation of, or in reaction to, shifts in the external environment



¹ CEB HR Change Readiness Survey.

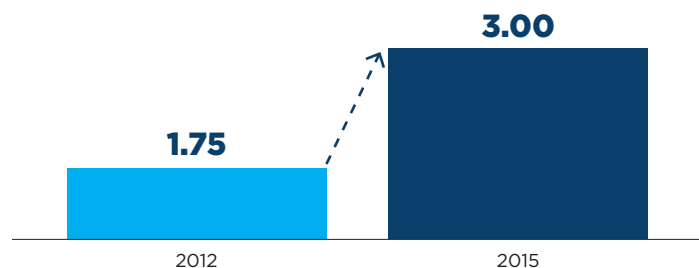
If frequent change has become a necessity for most companies, it has also become a challenging reality for employees trying to meet their work objectives. In the past 12 months, employees worldwide have, on average, experienced three major changes—compared to just three years ago, when the average employee experienced 1.75 changes per year. It's no wonder then that most employees say they have experienced an increase in both the pace and impact of change. The realities of the new environment are also complicating employees' ability to process and implement

change. Increased employee interdependence and collaboration and dispersed decision making have exacerbated the negative effects of change and heightened change sensitivity. Across organizations and industries, executives today are likely to describe a “change-fatigued” workforce that is, at best, weary and skeptical and, at worst, anxious and resistant. In this high-change, high-fatigue environment, executives worry about employees' ability to perform—and rightfully so: the change-stressed employee performs 5% worse than

the average employee. And this performance penalty has a bigger impact than you may imagine. For the average company, it translates to a \$32.5 million hit to the bottom line per \$1 billion in revenue. The strategic or operational advantages that executives hope to capture by introducing transformations are easily lost if employees can't fully execute them or perform well in a new environment. In an attempt to mitigate the performance penalty of change, most executives focus their communication efforts on building employee commitment to each new initiative.

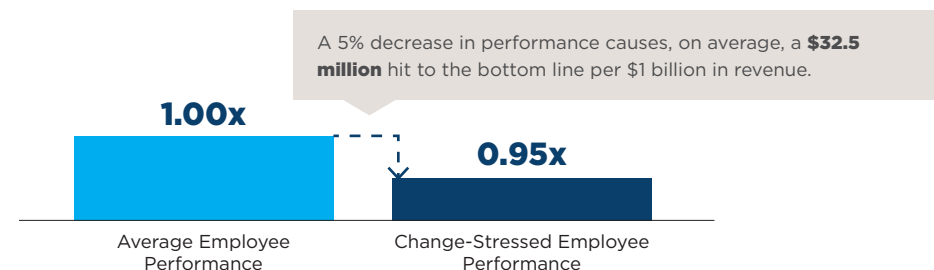
They double down on sharing the rationale and context, trying to build a case for each change in order to increase employee support and erase the negativity and skepticism of the most change-fatigued employees. Their ultimate goal for neutralizing or reversing negative perceptions is to prompt employees to put in the extra effort needed to speed adaptation and sustain performance. But this “commitment” approach fails to address the way that these changes destroy some of the fundamental building blocks of employee performance.

Number of Changes Experienced in 2012 Versus 2015



n = 1,494 (2012); 6,227 (2015).
Source: CEB 2011 Agility Survey; CEB 2015 Employee Change Survey.

Impact of Change-Related Stress on Performance
Indexed



n = 7,354.
Source: CEB 2015 Employee Change Survey.

Building a Change-Capable Workforce

Overcoming the change penalty and realizing the benefits of transformations across the workforce is about much more than creating a commitment to change; it's ultimately about creating, or reestablishing, employees' capability to change.

After changes occur, employees often find that underlying structures, processes, and rules have not kept pace. The infrastructure that previously supported employees, if unmodified, may now hinder employees' ability to adapt. They may no longer know how to get their work done or even what they should be doing. Employees struggle to identify who can help them or whom they need to work with. They find that the decisions they make no longer result in the outcomes they expect.

To perform in a post-change environment, organizations must fix these disruptions. They need to rebuild their employees' capability to perform and be productive.

CEB research has shown that employees need five things from their organizations to adapt:

-  **Comprehension**—The information and training necessary to complete the work expected of them
-  **Agility**—The ability to learn and practice new approaches to work quickly and effectively
-  **Network**—Strong relationships for collaborating and getting help
-  **Direction**—Clear direction about what activities they should (and shouldn't) focus on
-  **Outcome Expectations**—The ability to accurately predict the outcomes and implications of their decisions

Building Blocks of a Change-Capable Workforce



1. Comprehension

Information and training to efficiently complete work



2. Agility

Ability to learn and practice new approaches



3. Network

Strong relationships for collaborating and getting help



4. Direction

Performance objectives to focus on the right activities



5. Outcome Expectations

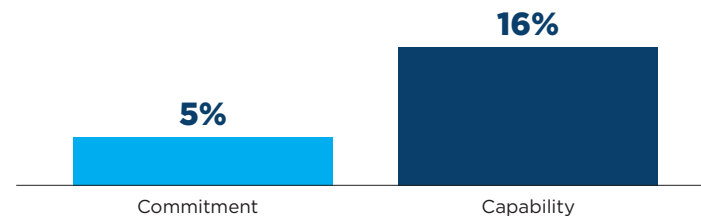
Ability to predict outcomes and implications of work decisions

Source: CEB analysis.

The importance of employees' capability to perform through organizational transformation is easy to recognize once you realize how disruptive change is to employees' fundamental ability to get things done. Simply having a more positive attitude won't help. And data analysis proves this: increasing employee capability has over three times as much positive

impact on employee performance as does increasing commitment. Although building employee commitment to change is still important, our research shows that commitment and capability building must go hand in hand. Exclusively focusing on building commitment is dangerous: employees who are committed but lack capability are more

Maximum Impact of Factors on Performance



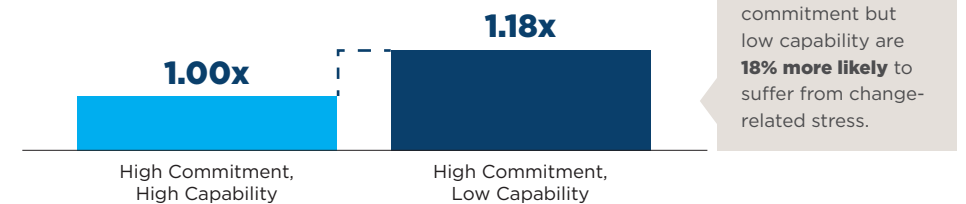
n = 6,227.
Source: CEB 2015 Employee Change Survey.

likely to suffer from change-related stress than are employees who have both commitment and capability.

This comes as no surprise—especially when you think about employees who are highly committed, throwing themselves into their work, working harder than ever, but who are ultimately incapable of doing what is newly expected of them. Despite how

hard they work, they're not seeing results. Unsurprisingly, that creates stress, which ultimately worsens performance. When employees are both committed and capable, they are better prepared to respond to and implement change.

Probability of Experiencing Change-Related Stress *Indexed*



n = 6,227.
Source: CEB 2015 Employee Change Survey.

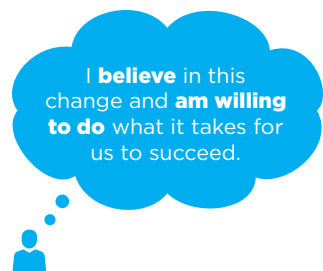
These findings suggest that although communicating rationale to employees and building their understanding of and support for a change is helpful and important, helping them rebuild their capability to perform in a different environment is even more valuable.

A traditional, attitude-focused approach is likely to help employees

understand and commit to supporting the change. But focusing on building employee capability ensures that the workforce understands what is happening and is equipped with the resources and support to be effective and productive through organizational transitions.

Comparison of Employees in a Commitment- Versus Capability-Focused Change Environment

Committed Employee Thought



Source: CEB analysis.

Capable Employee Thought



Helping employees **rebuild** their capability to perform in a different environment is even more valuable.



Putting It into Practice: Improving Capability

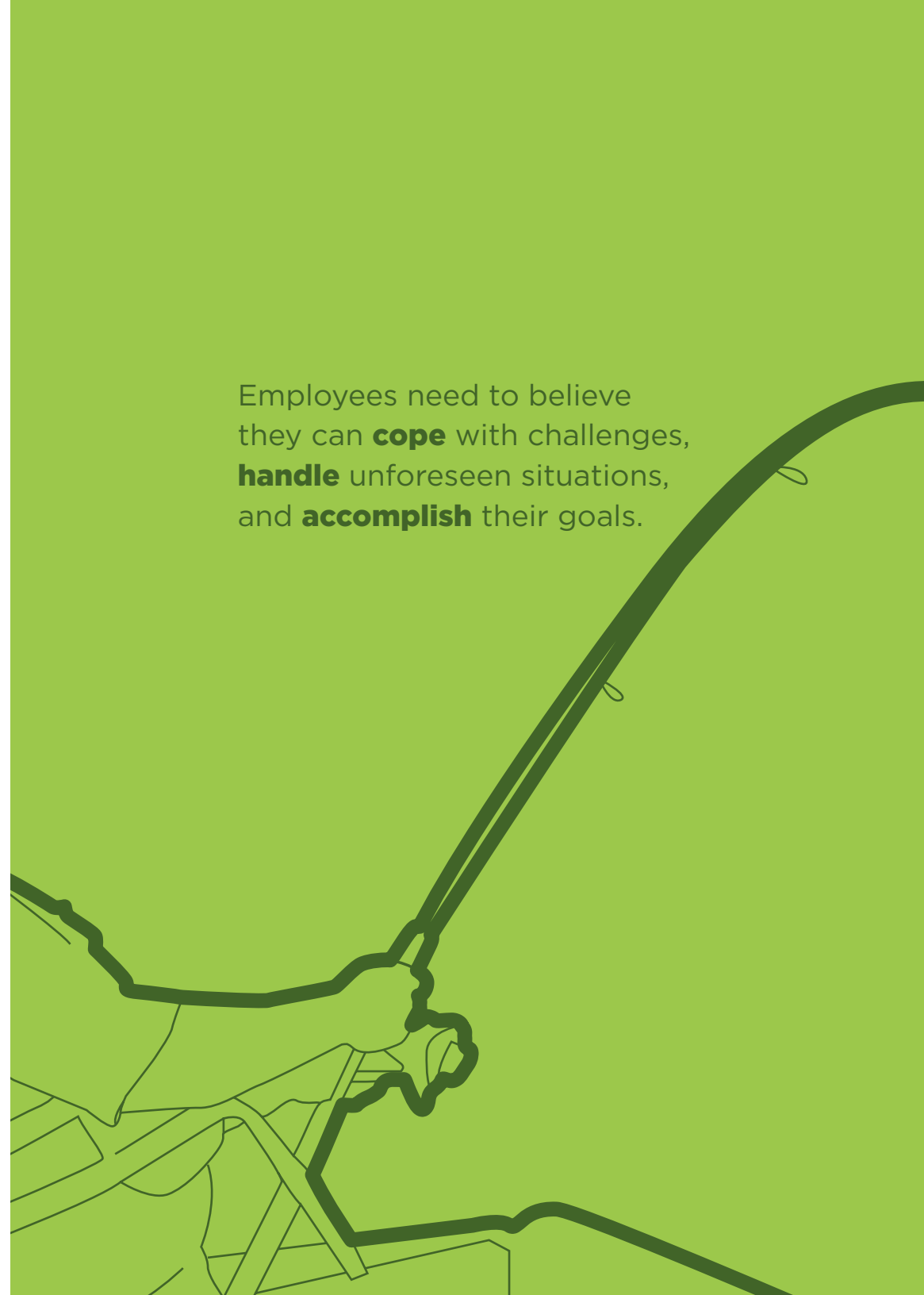
Recognizing the importance of capability, the next natural question is, “How do we help employees quickly rebuild it after change?”

To answer that question, CEB probed further into what employees need to accelerate their capability building. We surveyed more than 6,000 change-impacted employees at large companies around the world. An analysis of their responses revealed the two biggest factors driving their success in building capability:

Availability of Tools, Information, and People—Employees need to be aware of and have access to resources that can help them do their jobs. Information, tools, training, peers, and internal subject matter experts are the raw materials that employees need in the new work environment to rebuild the five components of capability—comprehension, agility, networks, direction, and outcome expectations.

Self-Confidence—Employees need to believe they can cope with challenges, handle unforeseen situations, and accomplish their goals. Although tools, information, and people are the raw inputs to building capability, self-confidence is what empowers employees to build capability; it helps them believe it's possible.

Employees need to believe they can **cope** with challenges, **handle** unforeseen situations, and **accomplish** their goals.



Ensuring the Availability of Tools, Information, and People

To rebuild the five components of capability after change, employees need resources to help them construct a new understanding of how to do their job, practice new approaches, recreate a support network, and better predict the outcomes of their decisions at work.

At the most practical level, these five components of capability depend on employees having access to tools, information, and people. Executives can make these resources easier to access in several ways:

Codify relevant information and knowledge, and create tools and training for employees. For individual changes, leaders should take the time to anticipate the likely effect on employees' capability and design a plan to meet employees' resource needs. But this isn't as difficult as

it seems. Some capabilities are predictably affected by common types of change (e.g., reorganizations and layoffs are likely to disrupt peer networks, whereas process or product modifications are likely to disrupt employee knowledge).

Just as managers can be useful in communicating change and encouraging their teams to support it, they can also be invaluable in identifying the likely work effects of anticipated shifts.

Executives should rely on managers at all levels to assist in developing a resource and support plan that provides specific tools, information, and support networks to employees. These resources can be aligned with the most likely, widely anticipated, or challenging aspects of the new work environment.

Consider asking the following questions to help identify the resources employees might need:

- What is the employee being asked to do differently as a result of the change?
- What can employees stop doing to unlock capacity for work on the newly required activities?
- Which people and functions will the employee need to work with after the change?
- How does the change impact the expertise and capabilities the employee needs to get the job done?
- Are new tools, rules, or processes needed, and how can they best be provided?
- If new skills will be necessary, how will we deliver training prior to and through the transition?

Compile and make essential resources readily available. In some cases, resources will need to be created specifically for a change, such as recording new product demos for a sales team. In other cases, resources already exist, such as new technical guidelines or training materials. Once resources have been created or collected, they need to be organized and published in an accessible central location, such as an intranet portal.

Employees are already experiencing information overload, and change only makes it worse. So design your resource centers to reflect the way employees seek out and access information. If necessary, conduct employee focus groups to ensure you are organizing resources in a user-centric way.

Publicize resource availability, and direct employees to what they need.

Having a world-class stockpile of information, tools, and training won't help if employees aren't aware of it. All top-down organizational change communication should highlight how to find available resources and prompt employees to seek out support, being as specific as possible.

Again, managers' proximity to their teams' daily activities and ability to predict change implications make them ideal sources of relevant recommendations. Give managers tools and instructions to use in team conversations to direct employees to resources, whether they are "official" (i.e., created by the company) or more informal knowledge crowdsourced by the team.

Connect, or reconnect, employees with peers.

Cross-organizational communication and collaboration platforms can help employees rebuild their networks, share information and tools, and learn from each other's successes and failures.

Although communication and collaboration platforms are particularly effective at helping employees rebuild their capability, they need to be carefully designed and actively managed to be productive. Don't assume that employees will embrace them simply because they use social media in their private life.

The best platforms make it easy for employees to find and connect with peers who have relevant expertise and knowledge—whether by including expertise in employee profiles or creating discussion boards for specific topics.

Promote peer sharing of lessons learned.

By sharing examples of what employees have learned through a transition, how they've achieved success, and what hasn't worked, organizations can help make the required changes—and the solutions to consider—more relevant and practical to employees.

Sharing lessons also reinforces the importance of networks to help employees learn and perform—increasing the likelihood that employees will actively look to their coworkers for support in finding new ways to successfully work and navigate transitions.

To foster employee networks, encourage employees to share their own stories through an accessible communication or collaboration platform.

Tips for Sharing Success Stories to Build Capability

Be specific about how you did what you did.

- Where did you go to gather the necessary information and resources?
- Who helped you? What experts did you consult?

Share pitfalls and tips that others should avoid.

- What paths or actions did you consider and dismiss? Why?

Share what you tried and failed at.

- What mistakes did you make and how did you turn them into a positive?
- How did you reprioritize your options or resources to succeed?

Source: CEB analysis.

Peer-created stories can be particularly valuable in helping employees build capability. Not only do they enable employees to share helpful information and coach their colleagues through change, but they also provide a sense that change is possible, improving self-confidence—the other major driver of capability.

To get the most out of peer success stories, give employees guidelines that help them share both what they achieved and how they achieved it, which creates a demand for tools, information, and support.

Monitor progress and course-correct mid-change. Executives won't be able to predict everything that employees might need, and that's okay. Changes can have unexpected or unanticipated effects on an organization. To combat this, plan to gather employee feedback on whether their resource needs are being met.

One way to do this is through targeted questioning and listening—in person or through surveys. You'll want to ask questions such as:

- Can you access the tools and resources you need to implement the change?
- Do you have appropriate training to implement the change?
- Can you easily find people in the company to help you?

Employees are likely to share their concerns, frustrations, and needs with their managers. Consider building a process for and encouraging managers to escalate employee needs that are unmet by existing resources.

Finally, executives must regularly and honestly assess their progress. There is no substitute for vigilant oversight to ensure major assumptions are being met, key steps are taken, milestones are attained, and supporting tools are being used. Change must be managed if it is to be successful.

Increasing Self-Confidence

Providing employees with information, tools, and people gives them the fundamental resources to rebuild the five components of capability. Yet the second biggest driver of capability, self-confidence, is also essential.

Change often feels threatening and intimidating. Self-confidence—employees' belief that they can handle challenges successfully—provides the motive force (i.e., the empowerment) to put those resources to work and build capability in a modified workplace. Although some people are more naturally confident than others, self-confidence is teachable.

Executives can increase employee self-confidence in two ways during change:

Identify and then remind employees of past success. Helping employees recognize instances in the past where they've successfully rebuilt capabilities and adapted to new circumstances will help them feel more confident in themselves in the face of change. You want them to think, *I've done something like this before.*

Think creatively about this; it's not necessary that an employee has made this specific change before, but simply that they've had to adapt in a similar way. For example, maybe employees had to rebuild their personal networks after accepting a rotational position or after a reorganization. You can remind them of that as you help them adapt to other organizational changes, such as a merger or layoffs.

Managers are likely to have the best insight on past change initiatives and the keys to success. Encourage managers to incorporate those reminders of past performance into conversations with their teams. A personal and tailored reminder about a shared experience likely will more effectively build self-confidence than one from a distant leader.

Moreover, using managers to contextualize change helps enable a focus on adaptation at the work-team and task levels, as managers ensure their teams are adjusting as necessary to perform in a new way.

Share and promote peer progress and success. Building on the idea of peer stories, increasing the visibility of peer progress in adapting to change also helps nurture self-confidence, as it makes success feel more achievable. Employees should be thinking, *People like me are doing this*, and *We are making progress.*

One effective way to showcase peer achievements is to share data illustrating how people are adapting to the change. Be careful about the

nature of this data, and skip high-level business metrics; instead, choose metrics that are clearly tied to the initiative or that reflect changes in key workforce processes or behaviors. These metrics will feel relevant and controllable to employees.

For example, instead of sharing the amount of new revenue booked (i.e., a high-level, corporate metric), share the percentage of inbound leads followed up on within 24 hours (i.e., a metric they can clearly influence).

From Managing Changes to Managing Change

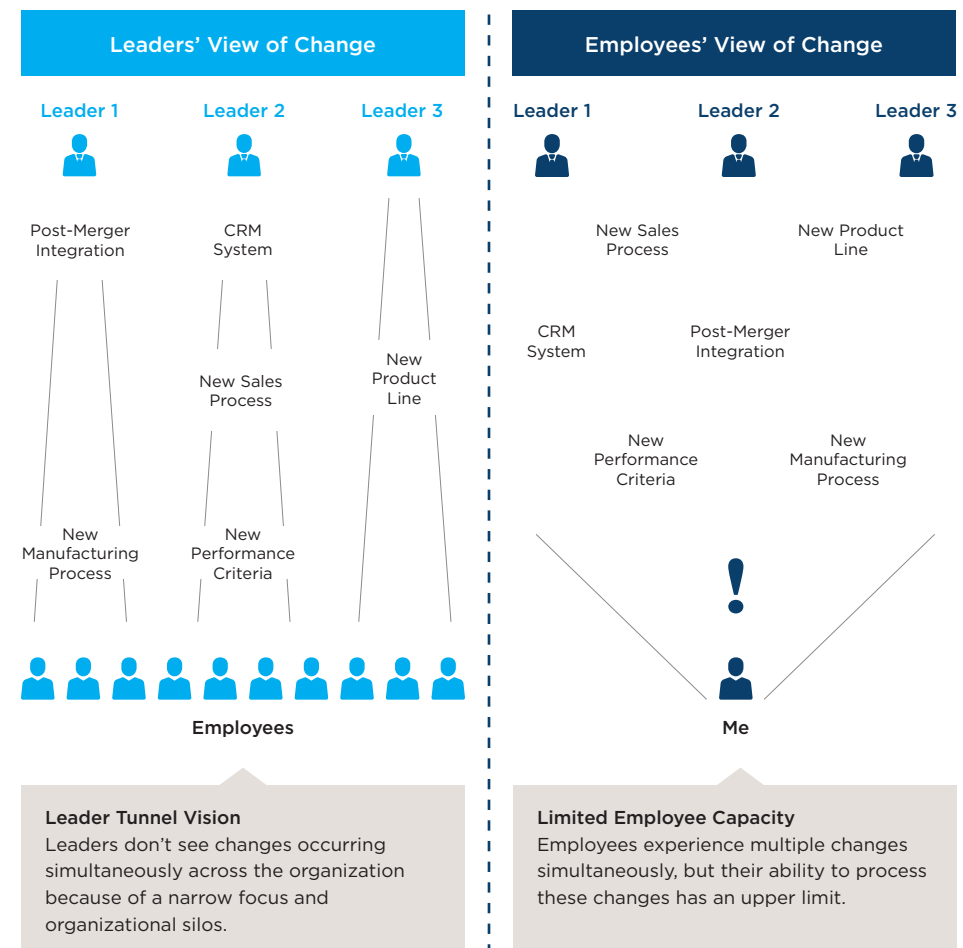
It's unrealistic to believe executives can measurably reduce the amount of change, given that changes are undertaken to improve company performance in response to demands created by external shifts. But executives can reduce the impact of change and help the organization better adapt.

To do this, executives need to think more strategically about change and manage their organization's ability to operate in a continuous change environment.

Change management has traditionally been grounded in individual change cycles, with employees managed through each stage of a change curve until they had fully recovered. This mind-set no longer fits in today's world of constant change, where employees may be in several stages at once and where recovery to a steady state is impractical.

Of course, each individual change will need a plan. But leaders should think about how the activities involved in managing each change can build on each other to help oversee change in general.

Enabling an Employee-Centric View of Change



Source: CEB analysis.

As part of managing a change portfolio, executives should make sure employees have a chance to build capability. They need to balance the frequency, extent, and location of change to allow for the creation of necessary employee capability. And they need to envision and manage transformations with the realities of work and their workforce clearly in mind. Organizations can do this by taking the following steps:

Expose leaders to an employee-centric view of change. Leaders, seeing only the initiatives they own, are often unaware how cross-organizational changes cumulatively affect employees.

Taking a more employee-centric view of change can help leaders make smarter decisions and introduce new initiatives in a way that gives employees the opportunity to rebuild capability. Although it's unlikely a

change would be abandoned entirely, it might be postponed or rolled out in phases to increase employees' likelihood of adopting it.

Map and monitor change across the organization. Assign a central group the responsibility of tracking change—collecting data on current and upcoming initiatives (specifically the timing, anticipated magnitude of impact, and likely effect on employees). Compile the data to create a holistic picture of the amount of change that employees are dealing with and which employee segments are (or are not going to be) hit particularly hard.

This information will help leaders make better decisions. And this group can monitor change by testing assumptions, tracking effectiveness, and ensuring the most critical or affected work groups are using the tools and resources.

Increasing employee capability spans both individual change and ongoing change management. As employees learn where to go and how to rebuild capability for individual changes, they will be building a change muscle to adapt to each successive shift. And as the organization invests in platforms for employees to access and share information, and as managers and leaders practice dialogue that promotes capability building, the organization will also be building its foundation in managing change.



Continuous change is the reality of today's organizations.

Conclusion

Continuous change is the reality of today's organizations. They undertake each change with the goal of improving business performance, yet each change also pressures employees to adapt. Failure to ease this pressure can mean a failure to capture the change's anticipated benefits due to stress-related performance losses.

Although most companies focus on building change commitment—a positive attitude toward each change and change in general—this approach fails to address the way that changes disrupt employees' fundamental abilities to do their job.

To sustain performance through change, companies must focus on helping employees rebuild their disrupted capability. Employees need to have easy access to the tools, information, and people required to do their jobs, be effective, and adapt to new structures, processes, rules, and roles. And they need the self-confidence to handle the challenges that change presents.

As change becomes a continuous business reality, employees and their organizations will require new capabilities. CEB will be following this work, with further explorations addressing 1) how each corporate function can better support a change-capable organization, 2) how to assess individual employees' change readiness and the likely areas in which they will struggle, and 3) which development programs will best prepare employees for change.

Change poses a significant business risk, and all parts of the organization will require new approaches to avoid unwanted losses while preserving the benefits of whatever transformation is underway. But with the right preparation, executives can capture the benefits they're striving for through change.

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