



IBM Global Business Services

IBM Global Change Management Study

Making Change Work

Closing the Change Gap

AFEI Conference

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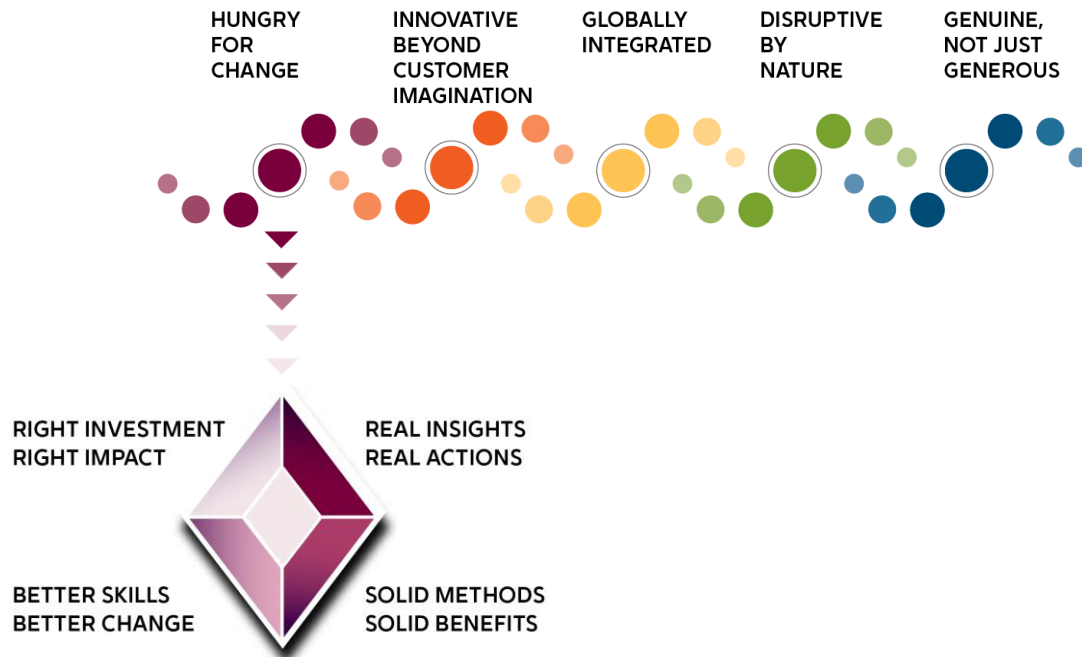
Executive summary – Key Findings

Our Global Making Change Work Study examined how organizations can manage change and identified strategies for improving project outcomes and closing the “Change Gap”

- Between 2006 and 2008, the share of CEOs expecting substantial change climbed from 65% to 83%
- The disparity between expecting change and feeling able to manage it – the “Change Gap” – nearly tripled between 2006 and 2008. Most CEOs consider their change execution inadequate
- Both the key change challenges and the key success factors are “soft” issues that are difficult to manage and measure – the soft stuff is the hard stuff
- The top 20% of our sample - Change Masters - reported an 80% project success rate, nearly double the average while the bottom 20% - Change Novices – reported 8%
- We identified 4 key success factors that differentiate Change Masters from Change Novices and that can help companies to make change work

Our Making Change Work study looks more closely at the enterprise trait, “Hungry for Change,” by polling practitioners

Exploring the ‘Hungry for Change’ trait



- Most CEOs consider themselves and their organizations to be executing change poorly
- And 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?*
- The Making Change Work study continues the conversation from the CEO Study. Based on input from over 1500 practitioners, it describes practical steps to take to prepare for the increasing pace, variety and pervasiveness of change

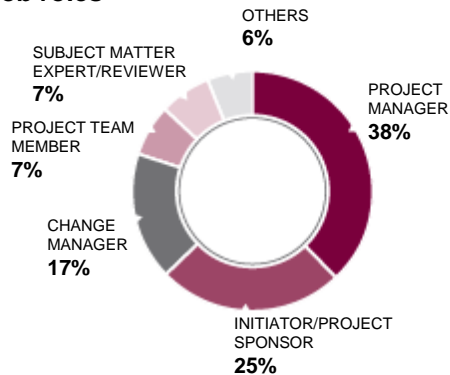
Source: IBM CEO Study 2008, IBM Global Making Change Work Study, 2008

How our research was conducted: Sample and demographics

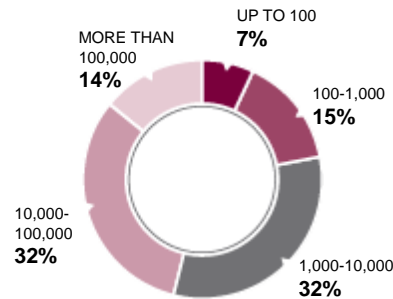
The Making Change Work study investigated real-life experiences of practitioners worldwide from organizations of all sizes, across industries

Making Change Work Study 2008 Demographics

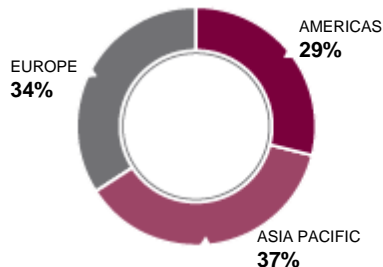
Job roles



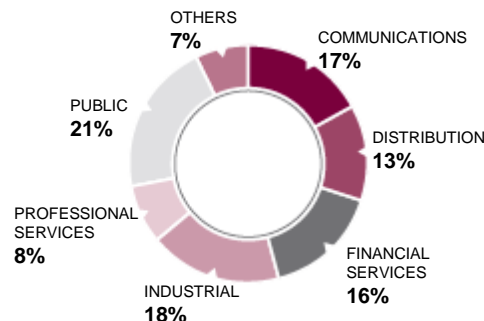
Organizational size



Geographic regions



Breakdown by industry



Methodology

Key attributes of the sample

- 1,532 experienced project practitioners
- 15 countries worldwide
- 21 different industries
- Companies of all sizes

Methods

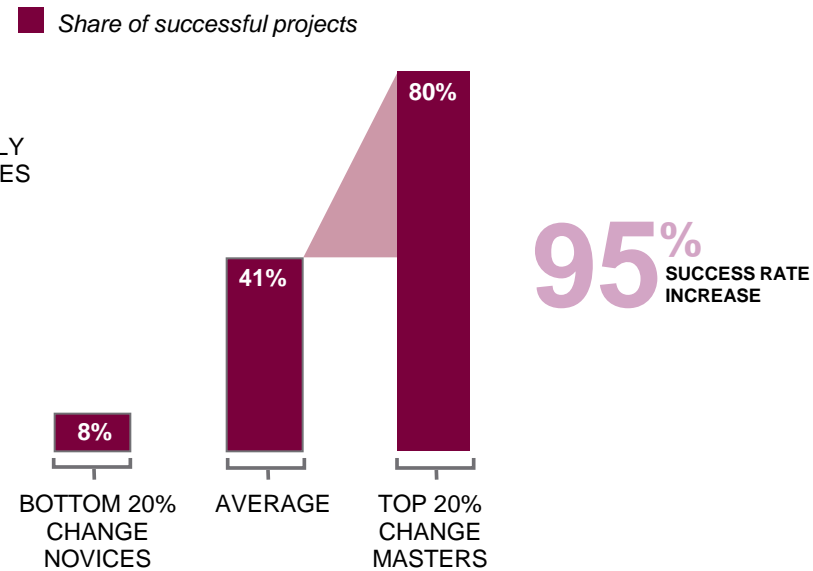
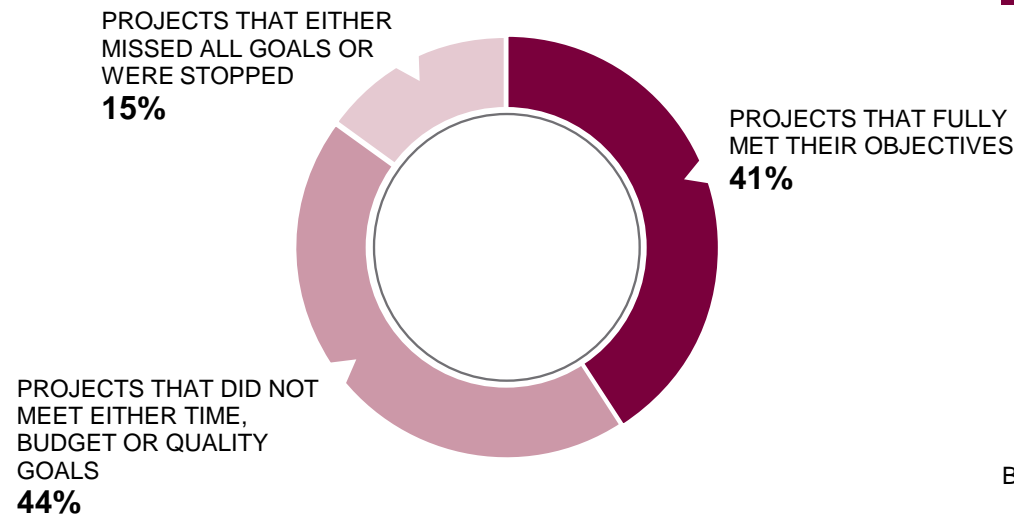
- Face-to-face interviews and survey

Source: IBM Global Making Change Work Study, 2008, (n = 1,532)

On average, only 41% of projects were considered successful. But the top 20%—the *Change Masters*—reported an 80% success rate.

Average Project Success Rates

Change Masters vs. Change Novices



- 44% of all projects failed to meet either time, budget or quality goals, while 15 % either stopped or failed to meet all objectives

- The top* 20% of organizations reported an average project success rate of 80%, reflecting a 95% increase above the average share of successful projects

Source: IBM Global Making Change Work Study, 2008, (n = 1,532)

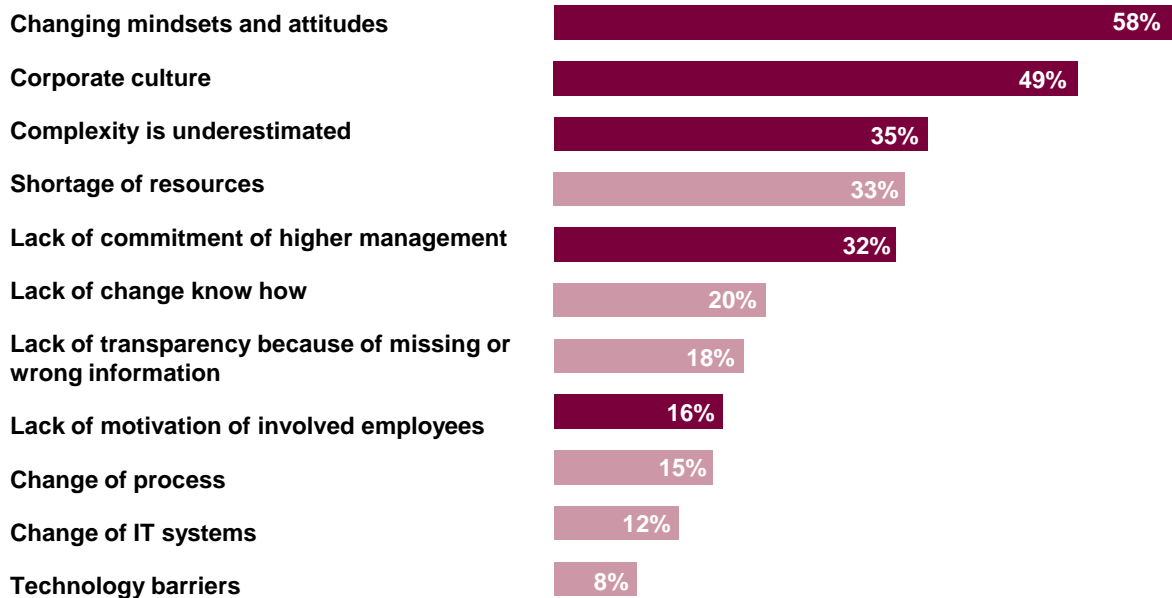
'Success rate increase' is the relative difference

* 'Top' and 'bottom' organizations of sample as defined by project success rates

The critical barriers to change involve people—what is generally considered the “soft stuff” is hard

Major Change Challenges

■ Soft Factors
 ■ Hard Factors



- Key barriers are *changing mindsets & attitudes, corporate culture, and underestimated complexity*
- These “soft factors” are rated more important than *resource constraints*, illustrating they are inherently hard to manage and measure even with sufficient resources



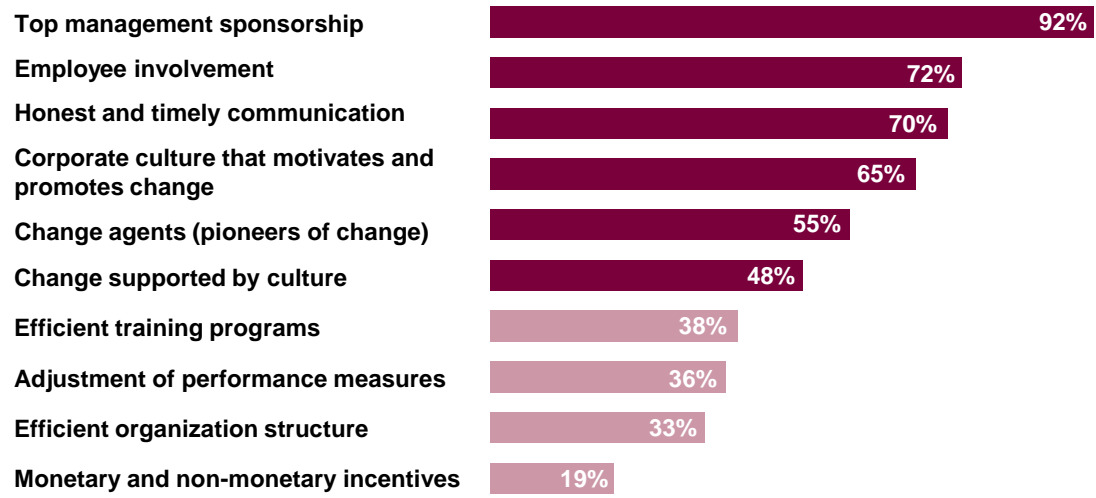
“Leaders are unrealistic about how change is going to happen. They move ahead anyway and get into problems.”
 — Change Manager, Energy and Utilities company

Source: IBM Global Making Change Work Study, 2008, (n = 1,532)

Top management sponsorship, employee engagement and honest and timely communication are critical for successful change

Factors for Successful Change

■ *Soft Factors* ■ *Hard Factors*



- 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
- Practitioners place a key responsibility for successful change right at top management’s door



“If you don’t have leadership support, you’re doomed”
 — *Project Manager, U.S., Media and Entertainment*

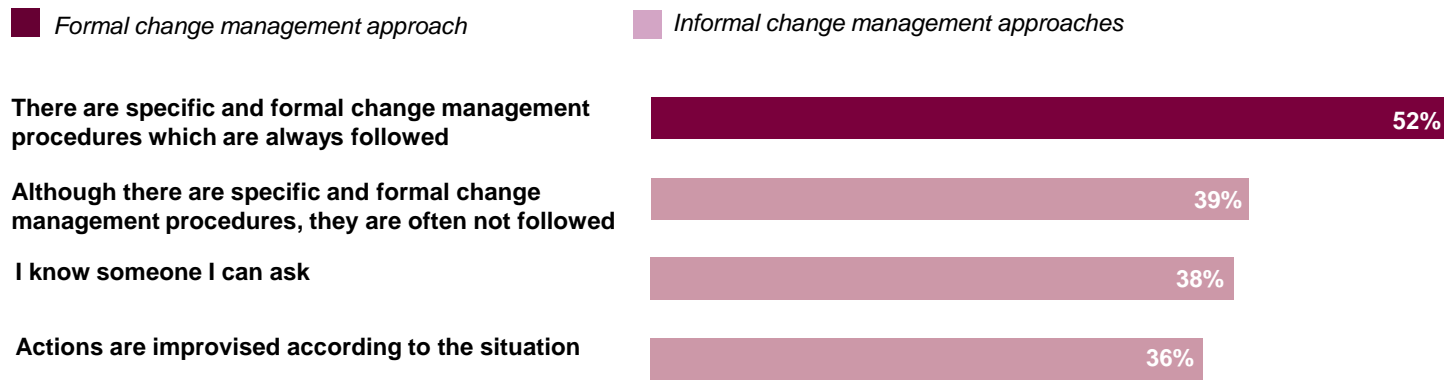
Source: IBM Global Making Change Work Study, 2008, (n = 1,532)

Formal change management methods improve project success when applied consistently



Having a structured approach to change management alone is insufficient if not applied consistently. When used regularly, the likelihood of project success increases to 52%, compared to less than 40% in other instances.

Consistent application of solid methods vs less consistent or none at all



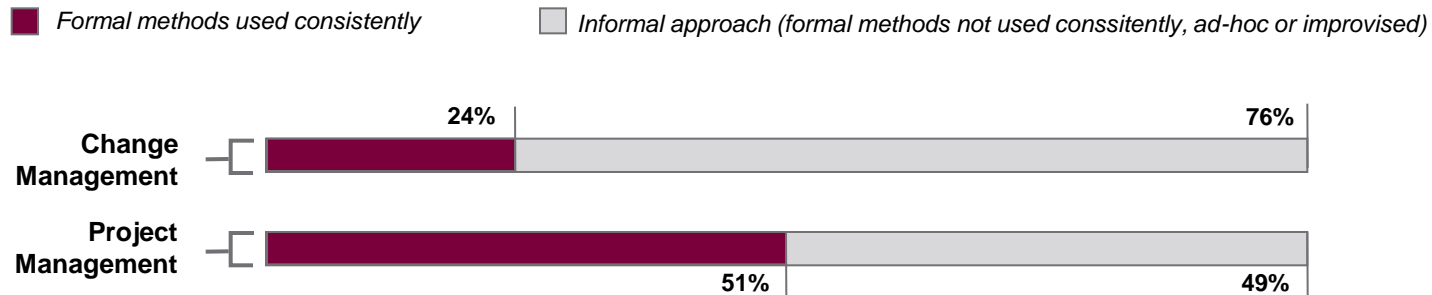
Source: IBM Global Making Change Work Study, 2008, (n = 1,532)

However, change management methods are usually informal, ad hoc or improvised



- 3 out of every 4 organizations still use a change management approach that is typically informal, ad hoc or improvised
- In contrast, 1 out of every 2 organizations use formal project management methods consistently, double the number that use formal change management methods. For more effective change management, formal change methods have to be applied more consistently as done in project management

Use of formal methods in Change Management vs Project Management



“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

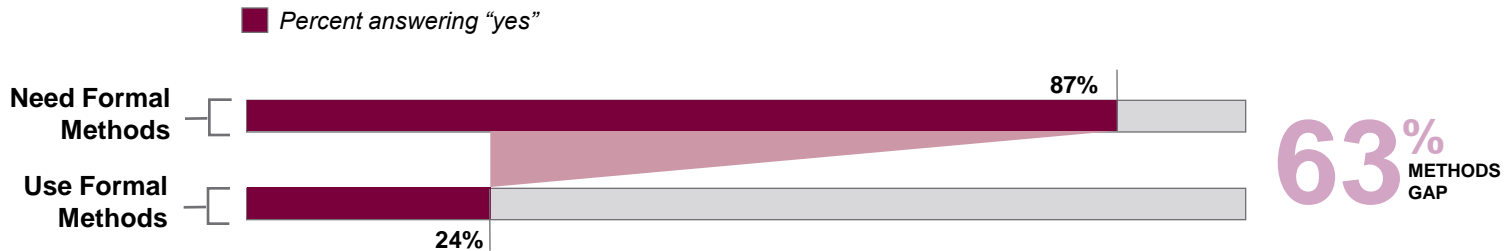
Source: IBM Global Making Change Work Study, 2008, (n = 1,532)

The Methods Gap: The difference between the perceived level of formal methods required and the actual level being applied



- Despite almost 90% of practitioners recognizing the value in using formal change management methods, in practice the consistent use of a systematic approach is low
- There is a wide gap between what is thought to be required and what is actually being applied. By employing formal change management methods and using them more consistently, organizations can close this methods gap and increase the chances of project success

The Methods Gap

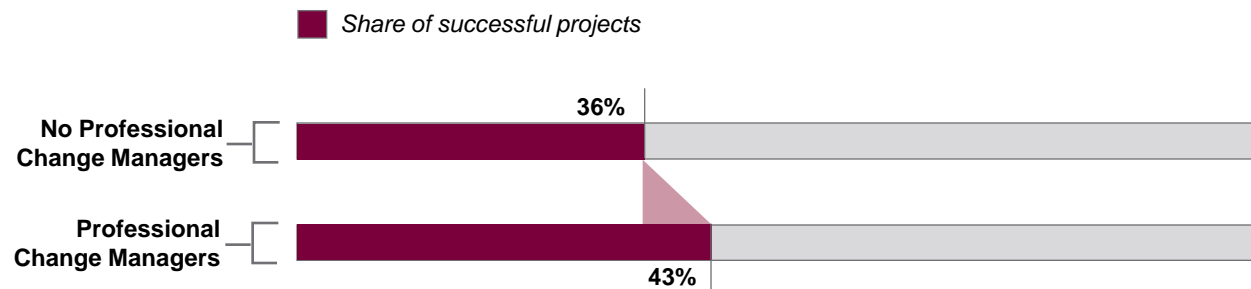


Change managers improve the rate of project success



- Deploying experienced and skilled change managers on projects helps to increase the chances of project success

The impact of dedicated change managers



19%
SUCCESS RATE
INCREASE

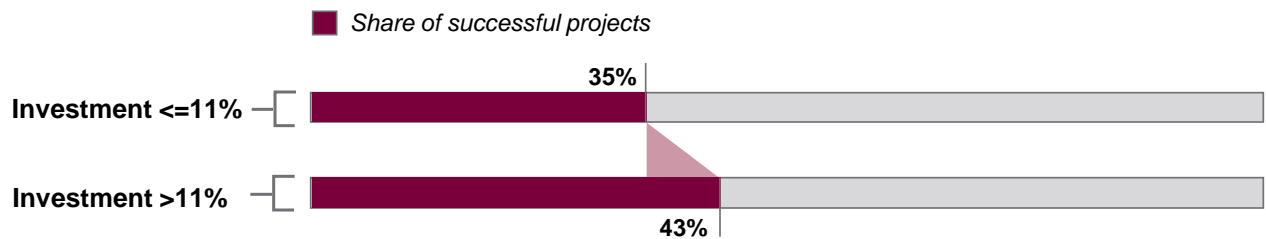
'Success rate increase' is the relative difference
Source: IBM Global Making Change Work Study, 2008, (n = 1,532)



We found project success rates were higher when moderate investment is made in the change effort

- Top organizations invested only slightly more in change than others, but were rewarded with significantly higher project success
- Our study found that project success rates were 23% higher when the amount invested in change was greater than 11% of the project budget

Investing for Change—A little goes a long way



23%
SUCCESS RATE
INCREASE



*“The ability to demonstrate the benefits of a change program was key in the shift in thinking”
— Project Manager, Canada, Life Sciences and Pharmaceuticals*

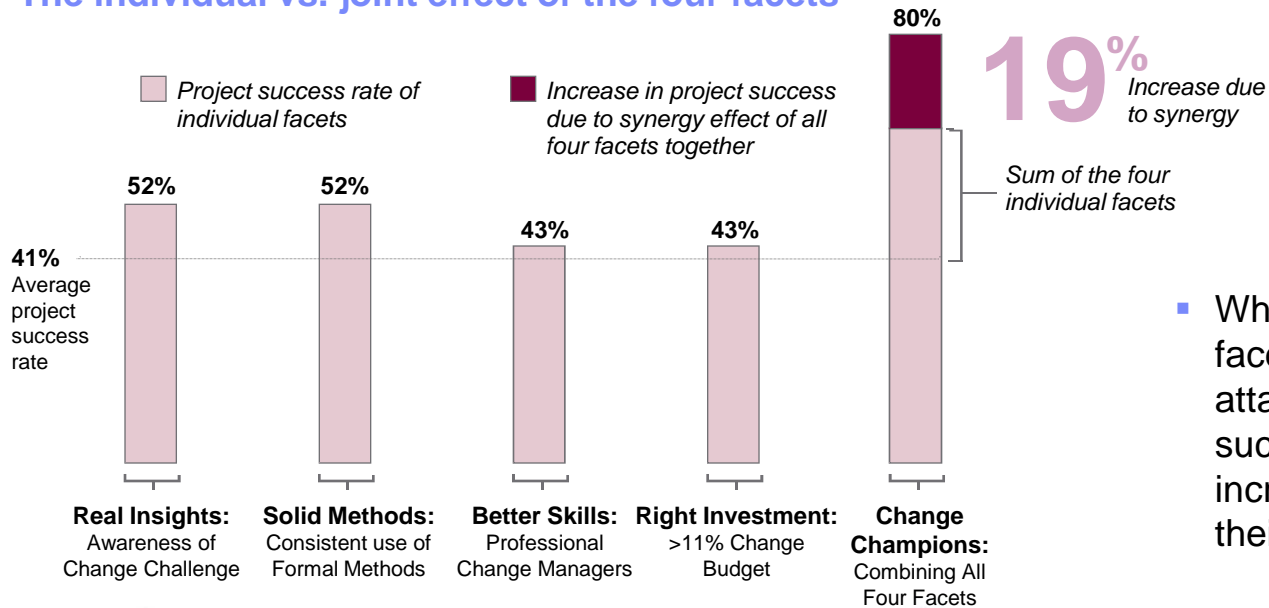
‘Success rate increase’ is the relative difference
Source: IBM Global Making Change Work Study, 2008, (n = 1,532)

The Change Diamond: Greater than the sum of its parts



- Although action on individual facets brings benefit, only in combination do they result in an outstanding increase in project success.

The individual vs. joint effect of the four facets



- When they combined the facets, Change Masters attained an 80% project success rate, a marked increase over the sum of their individual effects



Source: IBM Global Making Change Work Study, 2008, (n = 1,532)

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Closing the Change Gap

Backup Slides

Lessons from the Change Masters

- **Consider money spent on change management as an investment.** Understand which types of focused spending can offer the best return, in terms of greater project success and use these investments to minimize the risk of troubled projects.
- **Hook into the history.** Provide change leaders with access to historical data, people surveys, culture assessments and “war stories,” and people involved in previous projects, if possible.

**RIGHT INVESTMENT
RIGHT IMPACT**

**REAL INSIGHTS
REAL ACTIONS**

**BETTER SKILLS
BETTER CHANGE**

**SOLID METHODS
SOLID BENEFITS**



- **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.
- **Drive consistency.** Develop and promote a standard change method that can be applied consistently. Communicate this widely and monitor its adoption.



Making change work: From Insights to Actions

Practical steps from *insights to actions*

- **Hook into the history.** Provide change leaders with access to historical data, people surveys, culture assessments and “war stories,” and people involved in previous projects, if possible
- **Open your eyes...wide!** Examine the project’s scope, likely impacts and expected outcomes carefully. Assess the people, culture, behavior and organizational aspects, process and technology impacts
- **Plan and adjust.** With a thorough understanding of project complexities, build a change plan to address them
- **Take a long view.** Build and execute plans to address the “soft stuff” well beyond the formal end date of the project to deliver business value

Making change work: From Methods to Benefits



Practical ideas for *closing the methods gap*

- **Integrate, integrate, integrate.** Manage change as a formal workstream, integrated closely with project management
- **Keep all eyes on “the prize.”** Control the scope of the change effort to remain focused
- **Drive consistency.** Develop and promote a standard change method that can be applied consistently. 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

Making change work: From Skills to Change



Practical ideas for *closing the skills gap*

- **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
- **Lead from the top.** Set vision and direction clearly, allocating resources and driving corporate culture from the top. A change sponsor should be actively and visibly involved
- **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



Making change work: From Investment to Impact

Practical ideas for *investing in change*

- **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
- **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