McKinsey Global Survey results

Implementing change with impact

When it comes to large-scale change, the companies with the most developed implementation capabilities see clear financial benefits as a result of their change efforts. They also report a higher overall rate of success.

Executives say that implementation is the most important stage of any major change effort. And according to the results of our latest McKinsey survey on these efforts,[1] the companies with the strongest capabilities to implement these changes sustain more postchange financial value than all others do.

The survey asked respondents about their experience with major change efforts, their companies' approaches to and past performance of large-scale changes, and the implementation capabilities that their companies do (and don't) possess. Compared with all others, executives at the "good implementers" rate their companies in the highest quartile on seven key implementation capabilities that we have identified, based on our experience and other work, as most critical to successful change efforts.[2] The results confirm that these capabilities, including organization-wide commitment to change and planning ahead so changes are sustainable, have the most bearing on an effort's outcome. Executives at good-implementer companies also report stronger performance on the specific internal practices that underlie the key implementation capabilities. The resulting benefits reported by good-implementer respondents include more continued financial value from the changes two years after they were made, as well as stronger overall financial performance relative to their competitors. They are also much likelier to report a higher overall rate of success for their change efforts.

[1] The online survey was in the field from January 14 to January 24, 2014, and garnered responses from 2,079 executives representing the full range of regions, industries, company sizes, functional specialties, and tenures. The total results reported in this survey also include responses from an additional 151 global executives, who were surveyed at an earlier date. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

[2] For more information on McKinsey Implementation and their work, see mckinsey.com/client_service/implementation.

The fundamentals of change

Companies frequently embark on major change efforts to adjust course, achieve step changes in their performance, and set themselves up for success throughout the business cycle. Of the change efforts their companies have undergone in the past five years, less than half of all respondents say most or all of these efforts have met their initial goals *and* that the results have been sustainable over time. According to executives, the key to an effort's success or failure is commitment to change—or the lack thereof. When asked about company efforts that met their goals and those that did not, executives most often cite organization-wide ownership of and commitment to change as a capability responsible for either outcome (Exhibit 1).

Exhibit 1

Ownership of and commitment to change have the greatest bearing on a major change effort's outcome.

% of respondents,[1] n = 2,230

Factors most responsible for change outcomes, past 5 years	*Successful* change efforts	*Unsuccessful* change efforts
Clear, organization-wide **ownership and commitment to change** across all levels of the organization	67	65
Ability to focus organization on a **prioritized set of changes**	53	44
Sufficient **resources and capabilities** to execute changes	48	46
Clear accountability for specific actions during implementation	47	50
Continuous improvements during implementation and rapid action to devise alternate plans, if needed	39	29
Planning from day 1 for the **long-term sustainability of changes**	32	36
Effective program management and use of standard change processes	30	31

[1] Respondents who answered "don't know" are not shown.

For consumer-facing companies, resources are another particularly important driver: 43 percent of these respondents attribute successful change efforts to sufficient resources and capabilities to execute changes, compared with 34 percent of their B2B peers. For failed efforts, half say insufficient resources were to blame; just 40 percent of B2B executives say the same.

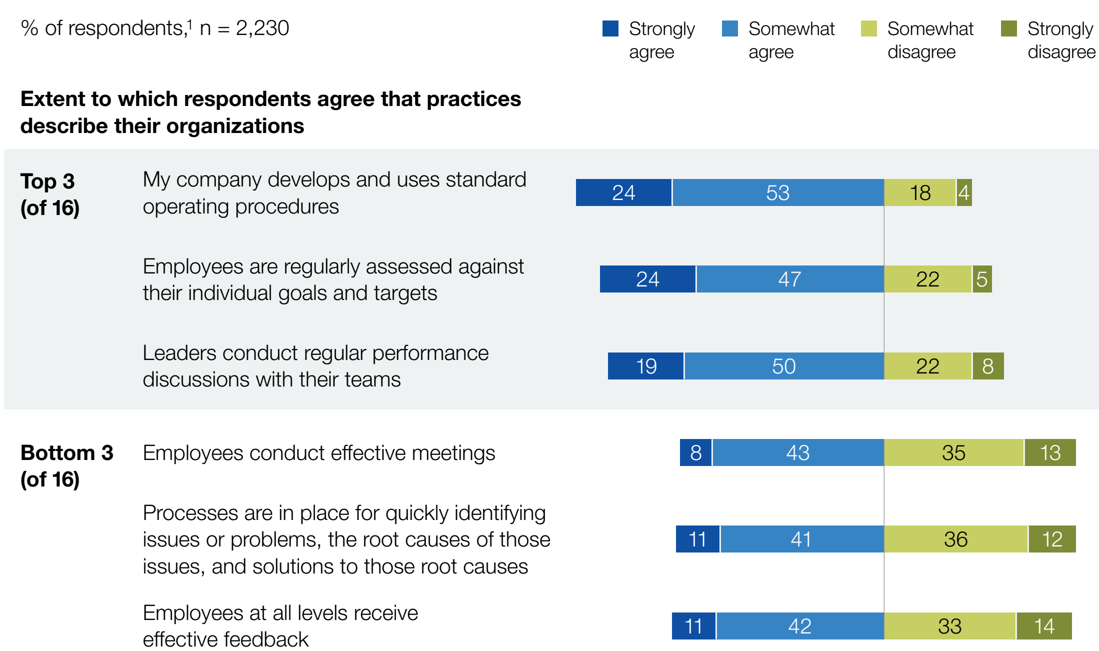
Comparing the four stages of a change effort—setup, piloting, implementation, and sustaining changes—the largest share (36 percent) says implementation is the most important to get right.

What it takes to be 'good'

Given the critical role that implementation plays in change, we sought a better understanding of the related capabilities and practices where companies are strongest—and what the best implementers do differently. On the specific implementation practices, executives are most bullish about their companies' ability to develop standard operating procedures and to assess employees against their individual goals (Exhibit 2). They say their companies falter most in conducting effective meetings, having processes in place to identify problems, and giving employees effective feedback.

Exhibit 2

Companies are best at using standardized procedures and assessing employees; many lack effective problem-solving processes and meetings.



[1] Respondents who answered "don't know/not applicable" are not shown, so figures may not sum to 100%.

In the survey, we looked at the seven core implementation capabilities that these practices support and identified companies that are "good implementers"—that is, where respondents scored their companies' performance on the capabilities in the top quartile (Exhibit 3). Among the good implementers, respondents are most likely to report strong organization-wide ownership of and commitment to change: their average score is 3.6 (out of 4),[3] which is about 1.8 times as high as the bottom implementers' score. Relative to bottom-quartile companies, they also excel at making continuous improvements, planning to sustain changes, and performance and program management.

[3] Respondents were asked to evaluate statements about their organizational best practices and capabilities on a scale of 1 ("strongly disagree") to 4 ("strongly agree").

Exhibit 3

The companies that best execute organizational changes possess the strongest core capabilities for implementation.

Average capability score,[1] out of 4, n = 563

Key capabilities for implementing major change efforts	Average capability score	Strength of good-implementer scores, relative to bottom-quartile organizations
Clear, organization-wide **ownership and commitment to change** across all levels of the organization	3.60	**1.79x**
Ability to focus organization on a **prioritized set of changes**	3.50	**1.72x**
Clear accountability for specific actions during implementation	3.40	**1.95x**
Effective program management and use of standard change processes	3.30	**1.85x**
Planning from day 1 for the **long-term sustainability of changes**	3.30	**1.79x**
Continuous improvements during implementation and rapid action to devise alternate plans, if needed	3.20	**2.01x**
Sufficient **resources and capabilities** to execute changes	3.20	**1.79x**

[1] Respondents were asked to evaluate statements about their organizational best practices and capabilities on a scale of 1 ("strongly disagree") to 4 ("strongly agree").

Exhibit 4

One benefit of good implementation is a higher overall rate of successful change efforts.

% of respondents

Reaping the rewards of good implementation

Taken together, the results suggest a link between capabilities and financial value. According to executives at the good implementers, their companies are much likelier to obtain financial benefits two years after their change efforts have ended. The good implementers report better overall financial performance at their companies, compared with competitors. And they also say their companies deliver successful change efforts at a higher rate (Exhibit 4).

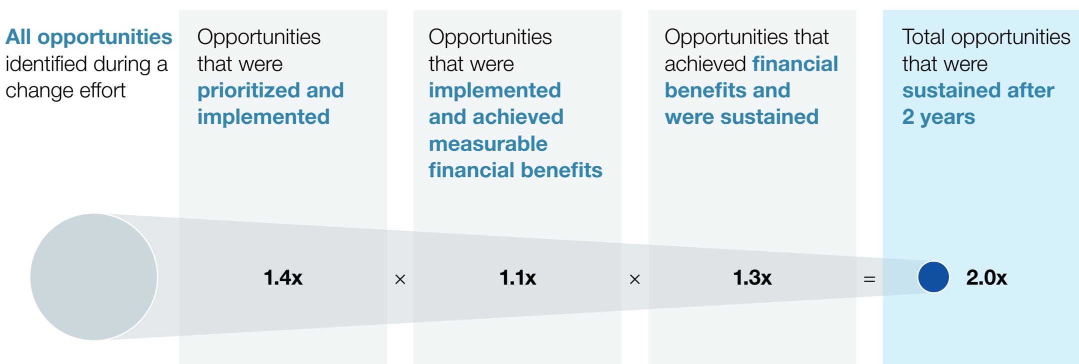
While major change efforts can deliver a wide range of improvements, many executives say their companies are ill equipped to translate change into sustainable financial results. Typically, companies approach change efforts by starting with a range of potential ideas for improvement and then narrow the scope to the highest-priority changes that are targeted for implementation. Over the course of a change effort, all companies lose value at each stage (identification of ideas, prioritization, implementation, and sustaining changes).

Compared with their peers in the bottom quartile, executives at the good-implementer companies say twice as many of the changes and opportunities they prioritized for implementation were actually implemented and achieved measurable financial benefits that were sustained after two years (Exhibit 5). Still, the loss of measurable financial value from change efforts (and during implementation) is a common issue across many companies.

Exhibit 5

The 'good implementers' retain more value than their peers at every stage of implementation.

Proportion of opportunities that good-implementer companies retain at each stage of implementation, relative to bottom-quartile companies



Looking ahead

- *Plan ahead for implementation.* The survey results confirm that implementation plays a key role in major change efforts and that there is significant value to gain from getting implementation right. Good ideas for change are only part of the equation, and companies need to think about their implementation approach from the beginning to ensure that these ideas result in real, sustainable changes and positive impact.

- *Build your skills.* Good implementation is not magic but rather a skill like any other—and it is underpinned by strong capabilities and organizational practices. Before beginning a new change effort, companies need to assess their strengths and weaknesses in these areas to make sure they and their people are set up for success.

- *Know your context.* The challenges of implementation vary depending on geography, industry, and a company's objectives, meaning there is no one-size-fits-all approach to ensure success in a change effort. When considering large-scale change, companies must understand their specific situation and plan their approach to implementation accordingly. ▢

The contributors to the development and analysis of this survey include **Jesse Scott** and **Joseph Tesvic**, an associate principal and principal, respectively, in McKinsey's Sydney office.