How to implement and sustain organizational change

June 2018

The fundamentals of change implementation are crucial for not only top-level executives but also frontline managers who are involved in the day-to-day work.

In this episode of the McKinsey Podcast, McKinsey senior implementation leaders Blake Lindsay and Nick Waugh speak with Simon London about the hard work of implementing and sustaining change in organizations—a priority that needs attention from the executive leadership and the frontline managers of each team.

Podcast transcript

Simon London: Nick and Blake, thanks very much for doing this today. I thought we should start with a real beginner’s question, which is, when we talk about implementation, what are we talking about? How does it relate to concepts like change, execution, and transformation?

Nick Waugh: Execution is around the day-to-day business. The COO is steering the ship and has current speed and course, whereas implementation is often course correcting a little bit or speeding up. We’re usually involved when there’s a change imperative of some kind.

Simon London: How is this different from change management?

Blake Lindsay: Change management is obviously a core part of what we think of as implementation, but when you’re talking about ensuring that a business or an organization is going to continue to do things differently moving forward, we’re effectively driving new processes and new capabilities within the organization. So, implementation goes beyond just change management. The concept is, I have now taken a group of people or an organization and fundamentally changed the way that they think about doing their work or whatever processes that are now put into place and am building their skills and capabilities along the way. We define it as the ability to achieve a desired result and sustain that result and continue to improve upon it.

Nick Waugh: The change-management aspects are really around the mind-sets and the behaviors that come along with this. When you start asking someone who’s done the same
thing for 35 years to do their job differently, there’s a huge amount of change management or
culture associated with that mind-set change.

Simon London: So, it’s the implementation of processes, the implementation of new ways of
working and new technologies. It could be something programmatic, like lean, or it could be
something that’s very specific to a company. But it’s actually doing work on the ground and
making sure that happens and sustains over time.

Nick Waugh: We’ve rolled out lean management in factories and hospitals and the back
office of an insurance company. You can imagine, the deployment model for McKinsey looks
very different. It’s not a bunch of folks sitting in a room at headquarters. It’s folks like Blake
and myself who are out in the field coaching, building capabilities. And the profile of our
implementation practitioners therefore requires a certain amount of “been there, done that.”
It establishes credibility when we walk into the situation, but it’s also the pattern recognition
of being able to say, “I’m asking someone to do something different than they’ve ever done it
before.”

Simon London: Let’s talk a little bit about the research that you have done, because in
addition to doing this on the ground, we’ve done two quite big surveys, one in 2014 and one in
2017, about what works around implementation and transformation. Talk a little bit about the
research and what we’ve learned.

Nick Waugh: We surveyed 1,400 CXOs across the globe and really probed what it was they
were working on as far as implementation was concerned. Then we assessed the success,
their subjective success, against the dimensions that we felt were the ones that truly drive
implementation success.

Blake Lindsay: Part of what we were trying to do was to figure out what the markers are for
success. Which I think that we’ve been able to do. We’ve distilled it into 30 practices, which turn
into seven core capabilities.

One of the big things that we were trying to do was find this “silver bullet.” What are the
two or three things that I have to go and do to make sure that I’m going to be a successful
implementer? And what was really fascinating is that across these 30 practices, pretty much
every single one of them is relatively of the same importance and weight. You can basically look
at it and say, OK, all of these things are important.

The research shows that it’s more about the level of effort that an organization puts into getting
an implementation correct whether they’re going to be able to achieve and sustain their results.
Of those 30 practices—and it doesn’t matter which practice you’re doing—as you start to get
to 20 to 25 and can say, “I’ve done 20 or 25 of these things, and I’m doing it and focusing on it,”
that’s where you actually start to achieve success.

Simon London: It’s interesting, for me, if I look at your list of seven key capabilities or success
factors, some of them sound like motherhood and apple pie. I’ll read them out for the audience.

Focus on continuous improvement, not a one-off effort. Obtain strong ownership and
commitment by leadership. Focus on the right priorities, really understanding what you’re going
for. Create clear accountability, with KPIs [key performance indicators]. Perform skill building, capability building, within the organization. Get a really effective program-management structure. And then really think about sustainability from the start—not environmental sustainability, but, can we sustain the change?

So, seven things there. They all sound somewhat generic, so how do you respond to that?

Blake Lindsay: It’s interesting that you say that, because I think you could walk into any executive’s office and have a conversation around an implementation program and say, “These are the seven things that will make you successful.” And she or he is going to say, “OK, thank you for wasting these five minutes of my life.”

But that begs the question of why two-thirds of change programs still fail to achieve their results or sustain their results. That was really the science that we were trying to get to. What’s interesting about that is, you talked about showing true ownership and commitment [Exhibit 1]. Can that executive actually tell you what that really looks like and how to make sure that’s happening within their organization? The way that we’ve broken it out shows you exactly what “good” looks like. And can you specifically say, “I am doing this thing,” rather than just saying, “Yeah, sure, we own this and we’re committed to it.”

Exhibit 1

The share of organizations following key implementation practices is lower than it was in 2014.

% of respondents agreeing that statements below describe their organizations

<table>
<thead>
<tr>
<th>Ownership and commitment</th>
<th>Effective prioritization</th>
<th>Transparent tracking</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Leaders in the organization demonstrate true ownership and commitment to making changes happen”</td>
<td>“The organization has an effective process for prioritizing the change initiatives that the organization and its individuals pursue”</td>
<td>“The organization regularly assesses the ongoing impact of past change efforts or initiatives”</td>
</tr>
<tr>
<td>69</td>
<td>56</td>
<td>47</td>
</tr>
<tr>
<td>63</td>
<td>47</td>
<td>47</td>
</tr>
</tbody>
</table>

![Graph showing changes in percentages for ownership and commitment, effective prioritization, and transparent tracking from 2014 to 2017.](image)

1Includes respondents who said “strongly agree” or “somewhat agree”; respondents who answered “neutral,” “somewhat disagree,” “strongly disagree,” or “don’t know” are not shown. In 2014, n = 2,226; in 2017, n = 1,420.
Nick Waugh: The value in those seven is in the nuance that lies underneath them. I often think of this idea: don’t tell me you’re funny; tell me a joke. For me, with the ownership and commitment point that you raised, Blake, it’s not about telling people that you’re behind the effort and this is important and mentioning it on earnings calls and in town halls. It’s about what the behavior is that you’re role modeling to the rest of the organization. You’re letting your actions do the talking. That’s the thing that’s very hard to assess when you go into an organization.

And as to Blake’s point, you could stand in an office of a CXO, and they could tell you that they’re very committed to the change and it’s a strong level of ownership and commitment. Then you could observe them for a week and realize that what they’re doing is very different than that.

Blake Lindsay: The analogy’s interesting, the motherhood and apple pie. Apple pie is fantastic, but do you know how to make an apple pie from scratch? That’s part of the challenge and the fundamental core elements of it that we’re trying to suss out—being able to say, “What are the skills and the role modeling and the capabilities that need to be displayed to be successful? How well is the organization established to do the things that we’re talking about, this nuance? And how well is the organization set up to receive that level of change?”

Simon London: As you’re talking about a lean transformation or a digital transformation, implied by that is quite a lot of skill and capability building on the ground at the front line. Where do companies typically go wrong? Why do they not nail that one?

Nick Waugh: For me, it’s the balance between the hard skill associated with a new process or with a new tool and the softer skill that’s associated with just being comfortable in change and leading others through change. The example that comes to mind for me when you talk about a lean transformation, is, I can teach someone how to do a preshift huddle and what “good” looks like. And we can talk about the nuance of celebrations and balancing that with the KPIs you want to track. But the magic that really comes to life is the softer skills associated with what happens after that huddle. How you lead the team outside of just the huddle itself, and how you use that as part of a broader leadership-development journey [Exhibit 2].

I often see organizations that are highly invested in the success of their top leaders and the leadership development of their top leaders in that capability building. What we’ve tried to do is take what works well at that level and drive it down to frontline leadership. That’s where the impact and the magic really come to life.

Blake Lindsay: I would also say, though, I think a typical failure mode is—and Nick had alluded to this earlier in this discussion—that of the people that I choose to play these roles in the transformation, it should hurt when I pull them from my organization. It shouldn’t just be, “Hey, Blake doesn’t have much going on, so we’ll just toss him into the ring here.” That happens often. That is one thing that we always try to combat or get in front of when we’re dealing with clients, is making sure that we’re getting the right people to run these programs.

Now it’s becoming increasingly difficult, and it’s what we saw in the research. We used to talk about what was the best athlete for a specific role. But we’re having to redefine what a good
athlete looks like. Or we’re changing the sport, because now you’re talking about working with agile coaches and digital-management groups and new processes and programs and capabilities within an organization. What our research showed is, it’s very difficult for executives to know what the right skills are and where to go and get them to do these programs.

Simon London: And another one is number three on the list that I read out: focusing on the right priorities. Said like that, again, it just sounds like [the reaction would be], “Well, of course.” But, again, where do companies go wrong in practice?

Blake Lindsay: In traditional implementation or change programs—so, go back 20 years ago and everyone was doing lean, that was the primary focus of these change programs—the prioritization was more focused around the key value drivers and understanding [things like] at which sites should I do it, and how should I do it, and when should I do it and thinking about the prioritization that way. There was always a lot of clarity around, “Where is the money going to come from?” Or, “Where is the change that we actually desire from a cultural perspective that we want to go and do?” They were able to get their heads around that and say, “OK, we’re going to go and focus on this.”

Today, the challenges with digital programs coming online or digital solutions being implemented are, I’ve got 20 different things that I can go and do—all kinds of new solutions that I know would benefit my business. But to Nick’s point, how much is it going to benefit my business? How much value is this actually worth? And so, is this the thing that I should focus

Exhibit 2

When a company monitors key performance indicators during a transformation, its change effort’s success is four times likelier.

% of respondents reporting successful transformations

<table>
<thead>
<tr>
<th>1. Performance management</th>
<th>2. Training</th>
<th>3. Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The organization closely monitored the solution’s key performance indicators to ensure that its implementation was having the desired effects”</td>
<td>“The organization held dedicated training sessions to teach employees how to use the digital solution in their business units”</td>
<td>“After piloting, there was a clear process in place for handing off the solution to the relevant business unit”</td>
</tr>
<tr>
<td>Agree: 51</td>
<td>Agree: 44</td>
<td>Agree: 49</td>
</tr>
<tr>
<td>Disagree: 13</td>
<td>Disagree: 12</td>
<td>Disagree: 15</td>
</tr>
</tbody>
</table>

1 Respondents who say their organizations’ transformations have been successful at both improving performance and sustaining those improvements over time, n = 509.
on today, or is this something I should do next year? And is it even the right solution, given that all the stuff is changing so rapidly? So, if I implement something today, a year from now I’m going to have something bigger, better, and more proven that I could implement again. The cost benefit of that is challenging. So, the prioritization element of this, I think, is becoming rather complicated.

**Nick Waugh:** When you ask specifically where companies go wrong, for me, what comes to mind is just this value-based lens. Oftentimes, we see companies embark on some sort of transformation because it’s fixing something that feels wrong today or it’s something as specific as, “I’m going to replace this part of my production line with a robot.” What that doesn’t do is take a truly process-based value lens to the change that’s happening. You may, in fact, put a robot in and have a great amount of efficiency at that point, but what is the influence upstream, downstream? What is the impact on the leader who was used to managing five people in that process who now has to think about interacting in a very different way with the people that work in that area?

What we often see is that there’s largely a prioritization matrix or prioritization criteria of some kind, but it’s often not taking a systemic value-based view of what the change might influence.

**Simon London:** So, is it a question of spending more time on the prioritization and really understanding the full value before you begin? Or is it more of a question of being prepared to be agile and switch and change as you learn because, as you say, if you come to digital or advanced analytics or automation, these things are changing pretty fast?

**Nick Waugh:** Yeah, I think it’s absolutely both. I mean, for me, there is an element of how to define value in an environment where we’ve never sized value before. You talk about a digital solution—if you’ve never done it before, and you can’t go outside and find a benchmark that allows you to size it, that gets really challenging.

Likewise, if, in an agile environment, you want to try a lot of things and you want to fail fast and you want to cut things off, that’s a different environment for prioritization than what we’ve seen in the past, where everybody signs off, there’s a regimented stage-gating process.

**Blake Lindsay:** I was having a conversation with a client just a couple of weeks ago around that specific thing. “How do I know that now’s the right time to be doing this? How do I know that these are the right tools or capabilities to be bringing into the organization at this moment?”

The conversation we had, to Nick’s point, is it’s both. So, first, you’ve got to be very clear about where you’re trying to go, what the actual end state is, and what the timeline is.

Then, you also have to be willing as a leader to iterate on your path from point A to point B. That iteration point, with this agile culture and the advent of digital solutions coming online and the concept of being able to fail fast, that is where I see the most discomfort in a lot of my clients. They can say, “Look, I can set a point that I’m going to. And I can give a deadline. But it makes me very uncomfortable that there’s not a straight line to march there sometimes.”
Simon London: Something else I read in the research is that if you look at digital transformations, they tend to be more multibusiness unit, more multifunctional. And again, now you’re raising the level, the degree of difficulty.

Blake Lindsay: Part of the implementation process is, you go through, you plan, and then you pilot. You make sure you have the right result. Then comes the typically hard part, which is scaling it up. That’s always a challenging thing. Anecdotally, in a lot of traditional implementation programs, what you would see as the most important thing was the ability to lean on the leaders to understand and drive the change that you’re trying to make—the individual leaders of those sites or those cells.

A lot of times with digital, what we’re seeing as what’s most important in that scale-up is that whatever product or solution that you’re putting into place is actually user friendly—people can get their hands around it and understand it. And second, that we effectively train everybody on how to use it. Not just how to use the solution, but why it’s going to make my business better [Exhibit 3].

Exhibit 3

During the setup of a digital transformation, respondents say clear communication and prioritization, and relevant expertise, matter most.

<table>
<thead>
<tr>
<th>% of respondents reporting successful transformations</th>
<th>1. Communication</th>
<th>2. Prioritization</th>
<th>3. Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The organization’s desired outcome for the digital solution was clearly communicated prior to its launch”</td>
<td>Agree: 46, Disagree: 13</td>
<td>Agree: 46, Disagree: 17</td>
<td>Agree: 47, Disagree: 18</td>
</tr>
<tr>
<td></td>
<td>3.5x</td>
<td>2.7x</td>
<td>2.6x</td>
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</tbody>
</table>

1Respondents who say their organizations’ transformations have been successful at both improving performance and sustaining those improvements over time, n = 509. Out of 8 practices to set up a major change effort.

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That’s been challenging. So, instead of saying, “Hey, Nick, you run this site. Go implement this solution and teach all of your people how to do it,” you have to do it more holistically. We’re
typically on a digital solution scaling from one little pilot area to 100 percent of the enterprise versus starting with two, and then going to four, then going to eight.

**Simon London:** When you talk about the capability-building challenges, it sounds to me almost like there’s a middle-management challenge here.

**Nick Waugh:** If there is a middle.

**Simon London:** Yeah. But a lot of companies are quite good at leadership development at the top level. They even get their head around rolling out new processes and at a shop floor. But there’s this layer of people who need to manage teams, run lines, and run sites. And teaching them to be change leaders and implementers in their own right is maybe part of the missing link?

**Nick Waugh:** I think that’s right. A client example that I think brings that to life for me is a large industrial environment. You had a very represented, unionized workforce. There was not a lot of incentive for someone to move off the line into a supervisory role.

So, a lot of the supervisors of that line force were engineers that came right out of college or right out of a degree program. They would come in knowing the science and knowing the tools and knowing the engineering behind what they were being asked to do. Then they would be thrust into this situation where they were asked to lead 30 people on a line who were much older, much more experienced—grizzled veterans versus these young folks that are coming in.

One of the things that we learned early on is that being a supervisor is an incredible point of leverage, but they were so uncomfortable going out and trying to lead and inspire that workforce, that they spent a lot of time in the office. And they would tell us how much paperwork they had. They were almost hiding because what they weren’t prepared to do was go out and be that leader.

Your point is valid, as we often are very good at the leadership-capability building in the C-suite and in the N-1 and N-2 levels. On the very other end of the spectrum, we’re often very good at the hard-skill, operator-qualification level. And it’s that hybrid in between. You’ve got to be able to inspire that middle management. So many of our programs focus exactly on that layer, exactly on trying to unfreeze the frozen middle and give them the leadership tools that are necessary to really advance the organization throughout this implementation piece.

**Simon London:** So, pure conjecture on my part, but organizations are a lot flatter. There are just fewer layers of middle and senior management. I’m just wondering whether one of the things that’s changed is, is implementation harder than it might have been 20, 30, or 40 years ago? Because there are fewer middle managers and fewer experienced middle managers. So, as you say, you might have this young engineer, young graduate, running this line. But who’s there to coach and help this person?

**Nick Waugh:** I think that’s right. I also think that it’s the element of, who are the leaders of today? What did they do to get there? Oftentimes, it’s the person that was really good at the
engineering part of their job. In the sales organization, for example, the really good salesperson often is the one that gets promoted to become the leader of the sales organization.

What we’ve realized in that commercial example is that the great salesperson is not always the greatest leader of other salespeople. What they did to be very successful in their role is very different than the leadership challenge of motivating a lot of people. It’s an element of yes, maybe there are less because organization structures have changed over time. But the markers of success need to look different as you move through an organization. It’s less about the technical aspects of the job and more about the softer leadership components of the job.

Simon London: Can we talk about the sustainability of change? You mentioned right at the start, the definition of implementation is the ability to achieve and sustain the desired results. What’s the trick in the sustaining part of it?

Nick Waugh: Well, I wish we both knew what the trick was. I would say that, for me, the lever that I see pulled most often in the companies that have sustained is the mind-set and behavioral change. Yes, there are ways to drive performance quickly, and there are ways to see that in the numbers. But the health of an organization or the mind-set of individuals, that’s what locks in the change over time.

We talk a lot about how to do that from the start, how to think about mind-set change, and how to think about sustainment from the beginning of an implementation. That, to me, is so important, to think about the impact it’s going to have on individuals. We’ve talked a lot about the impact it’s going to have on leaders and the leadership challenge associated with that. But for me, that’s the lever we pull. How to not just change the behavior but also how to change what’s behind that behavior and get people to truly buy in and do things differently.

Blake Lindsay: What we saw from the research was that the most statistically significant thing you could do in that sustainment phase was to develop KPIs—new KPIs that measure what I care about, which should be new and different from what I used to care about before, because I’m changing the way that I’m running my business—and integrating that into normal, day-to-day business operations. It’s no longer, “OK, let’s do our normal business review, and now …”

Simon London: “… let’s look at the digital dashboard!”

Blake Lindsay: Exactly, or at this other thing that we’ve been doing. No, it is 100 percent integrating those things. This becomes our way of working, and this is what we care about.

Simon London: When you look at the kind of implementation that’s going on out there in the business world, is the flavor of it changing? Are we still seeing a lot of lean transformation, for example? Or is that something that’s beginning to be played out? Is digital transformation just the next wave? Or is there more to it than that?

Blake Lindsay: I think that the lean concepts are integrating themselves into improved business performance. A big difference that I’ve seen over the transformations that I used
to see from broader lean groups to now is this holistic focus on organizational health and culture. And, “What does it mean to be a top-tier organization within my industry?” It is always trying to identify new ways to create value or remove cost or whatever—deliver impact to the bottom line—but, at the same time, with equal and oftentimes heavier balance on our organizational health as a whole and the culture and the identity of the organization that we want to have. And really figuring how to stack all hands on what that should look like and how to do it.

**Nick Waugh:** There will always will be a fad. There will always be something that is getting attention and being written about. Certainly, 20, 30 years ago, that might have been lean. Today, that might be digital. The one constant is that we’re in a period of continuous change. Nothing is stable. Nothing is current speed and course anymore. We have one executive who Blake and I have worked with who struggles with the ownership and commitment point because it’s hard for her to articulate what the future’s going to look like.

**Simon London:** OK. Well, let’s leave it there. Blake and Nick, thank you very much for your time.

**Nick Waugh:** Thank you.

**Blake Lindsay:** Thank you, Simon. I appreciate it very much.

**Simon London:** Thanks also to you, our listeners. To learn more about McKinsey’s work and research in implementation, please visit McKinsey.com.

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