

Organization Practice

How do we manage the change journey?

To make change happen, you must generate the ownership and energy to execute the plan and change it on the fly.

by Scott Keller and Bill Schaninger



In *Beyond Performance 2.0: A Proven Approach to Leading Large-Scale Change* (John Wiley & Sons, 2019), McKinsey's Scott Keller and Bill Schaninger draw on their long experience, and the most comprehensive research effort of its kind, to provide a practical, proven guide for executives managing corporate transformations. "A better way to lead large-scale change," the first article in the series, explains how and why the authors' approach works. The second, "Getting personal about change," provides an in-depth look into the mind-set shifts required for generating meaningful change. The third, "The forgotten step in leading large-scale change," examines the most often neglected stage of the change process. This fourth article discusses how to generate ownership and energy for success.

Change is a journey, and few journeys go according to plan. Leaders who follow the transformation methodology explained in our new book, *Beyond Performance 2.0*, take companies through what we call the five stages of performance and health.¹ This article focuses on the fourth: *act*. To ensure that plans developed in the previous stage (*architect*) stay on track and evolve when necessary, leaders must give employees a sense of ownership in the process, as well as the energy needed to change. This article shows how.

Instilling ownership

The previous stages of our five-stage program will give employees a significant degree of ownership. But don't assume it will continue throughout the *act* stage. To see that it does, establish strong governance, scale up initiatives appropriately, and monitor and adjust them as needed.

Establish strong governance

Research shows that change programs with governance structures clearly identifying roles and responsibilities are 6.4 times more likely to succeed.² The vast majority of successful programs include four such elements: an executive steering committee (ESC), a change-management office (CMO), executive sponsors (ESs), and initiative owners (IOs) and their teams.

An executive steering committee typically includes the most senior leader and a senior executive team. It owns the change program's overall direction; makes critical ongoing decisions, such as approving

changes in execution plans, reallocating resources, resolving issues, and reshaping initiatives; and holds people accountable for results. When the ESC communicates the progress of change programs frequently during the *act* stage, they are a whopping eight times more likely to succeed.³

The change-management office coordinates the overall program, tracking its progress, resolving issues, and facilitating transparent, effective interactions between the ESC and the initiatives. It seldom leads them but sometimes helps share best practices and acts as a thought partner for initiative teams. Typically, a full-time senior leader responsible for the overall change program runs the CMO. Its size depends on the transformation's nature, but it typically includes resources for monitoring and reviewing activities, metrics, budgets, and impact, as well as for communications and change management.

Executive sponsors provide guidance, judgment, and leadership for initiative teams by reviewing their progress, helping periodically to solve problems, suggesting and validating changes to execution plans, and focusing on the business impact. They may be either members of the ESC or senior leaders, one level down, who directly own particular initiatives. The ES strives to optimize particular initiatives; the ESC, the full portfolio.

Initiatives are executed by initiative owners and their teams, who typically work for line organizations but may also come from staff functions. IOs

¹ The five stages, and the questions that must be answered in each of them, are *aspire*: Where do we want to go?; *assess*: How ready are we to go there?; *architect*: What must we do to get there?; *act*: How do we manage the journey?; and *advance*: How do we continue to improve?

² "What successful transformations share," March 2010, McKinsey.com.

³ Ibid.

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generally help formulate the initiative charter; identify resources, operating expenses, and capital requirements; determine the scale-up approach; and develop timelines and milestones. Their responsibilities include both problem solving and people solving.

The CMO provides support and oversight. But accountability for the impact of initiatives should be placed, so far as possible, with line management and built into relevant budgets—no aspect of a change program is complete until they fully reflect it. Programs with clear roles and responsibilities are six times more likely to succeed than programs that don't; those with effective CMOs, twice as likely.⁴

To understand this governance model, consider the case of a retailer restructuring its global operations after quarterly losses. When an organizational-health survey identified many health issues, the CEO created an ESC comprising senior leaders from the retailer and its parent company. The retailer then created a CMO led by the respected senior manager of its most profitable business line. He enlisted one of his top performers and two respected middle managers from other departments and hired an external change expert and a retail-turnaround specialist. Each of the 25 health initiatives identified in the *architect* stage had an IO and ES who helped ensure that teams remained committed to targets and had the necessary resources. The teams also included part-time “project amplifiers,” who publicized initiatives to the organization and communicated its concerns back to the teams.

This clear ownership model helped the retailer to reorganize its 75,000-strong workforce and to cut costs by 12 percent within six months. The whole company's health improved significantly. The program's light yet robust structure was easily dismantled, and the business then took responsibility for the ongoing effort.

Choose scale-up methods

Companies implement the vast majority of initiatives by testing ideas, learning from failures, and scaling up successes quickly—an approach that limits damage, provides valuable lessons, and builds an appetite for change. But impatient organizations often implement pilots too quickly.

Consider the experience of the Netherlands-based insurance group Achmea. Spurred by the government's radical healthcare reforms, the company launched a change program in one of its divisions. The initiatives included a plan to raise the call center's efficiency by 25 percent and to improve the customer experience. Achmea's initial pilot was a huge success, but the company soon found that the approach of the manager who led the effort was hard to replicate because he had relied on personal influence, not new systems.⁵ As this example shows, the pilot phase should include two tests: *proof of concept* (to establish that an idea creates value) and *proof of feasibility* (to ensure replicability). Often, this second test also trains leaders for later waves of implementation. Once Achmea adopted the double-pilot approach, the change program proceeded successfully.



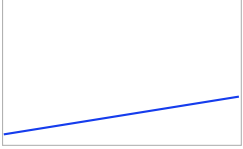
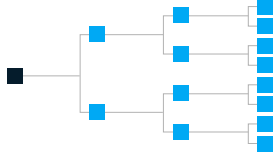
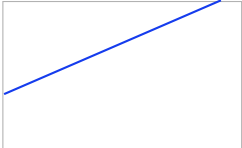
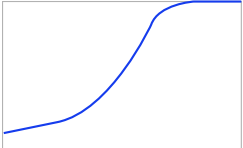
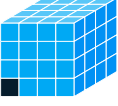


⁴ Ibid.

⁵ Peter de Wit, “Scaling up a transformation: An interview with Eureko's Jeroen van Breda Vriesman,” *Voices on Transformation*, Number 4, McKinsey & Company, 2010, McKinsey.com.

Exhibit 1

Companies can choose among three broad ‘flavors’ (or models) for scaling initiatives: linear, geometric, and ‘big bang.’

Three models for scaling up programs

Model	Description	Resource requirements	Number of units affected
	<p>Linear: Sequential interventions with stable resource requirements</p>		
	<p>Geometric: Successive waves of interventions with increasing resource requirements</p>		
	<p>Big bang: Concurrent interventions with intensive but short-term resource requirements</p>		

Companies can choose among three broad “flavors” for scaling initiatives: linear, geometric, and “big bang” (Exhibit 1). In the first, the proof-of-feasibility pilot is replicated across the organization, but no area starts until the previous one finishes. This works best if a company rolls out an initiative in only a few areas and isn’t in crisis, the stakes are high, deep dives by experts are needed, resistance to change is strong, and the tool kit and solutions require extensive customization.

In geometric scale-ups, implementation occurs in progressively bigger waves. This makes sense if multiple areas share a few common features, many areas must be transformed, a linear approach would take too long, capable implementers are readily available (or can be trained ahead of demand), and the organization can absorb the changes.

In big-bang scale-ups, implementation occurs across all relevant areas at once. That takes many resources, but for a relatively short time, and makes sense if multiple areas share many features, the transformation is urgently needed, little resistance is expected, and the company can deploy a standard tool kit.

A multinational energy company, for example, used the linear approach to roll out unified HR software that replaced freestanding national systems. Senior management understood that if the company switched in one go, or even region by region, technical issues might overload the project. The new software represented a major shift, so the company also wanted to ensure that all country organizations embraced it and that concerns at any one location could be addressed before the rollout continued.

But this company chose a geometric approach to implement its new global procurement strategy. An analysis of vendor relationships uncovered similarities among markets in buying patterns and levels of procurement sophistication and vendor choice. Grouping similar markets into clusters enabled the company to increase its leverage with vendors. It then used the geometric approach to roll out the project in increasingly large groups of regions and countries. Procurement teams got up to speed quickly, approaches were progressively refined, and cost savings escalated rapidly.

Another initiative revamped public-relations processes. The company had recently experienced a crisis it hadn't handled well, because of a decentralized approach to managing its public image. One initiative therefore centralized stakeholder management and PR, installed new policies and guidelines, and aimed to make the general public and key stakeholders aware of the company's efforts to improve transparency and accountability. A big-bang effort fully implemented the program in two months.

Monitor progress and adjust the program dynamically

To work effectively and scale up multiple initiatives during the act stage, the CMO must provide both an initiative- and program-level view of progress and impact through relevant metrics and milestones. When it does, change programs are 7.3 times more likely to succeed.⁶ This mandate requires good data. As N. R. Narayana Murthy, former chairman of Infosys, put it, "In God we trust; everybody else brings data to the table."⁷

To have a robust view of how much progress you're making, regularly measure your change program on at least four dimensions:

- *Initiative level.* Track initiatives not just by time (milestones) and budget (money spent versus planned) but also by operational performance (cycle times, waste, wait times, quality).

- *Health.* Are management practices and their underlying mindsets and behavior shifting appropriately? Targeted analytics, surveys, focus groups, and direct observation of work sites offer a good read.
- *Performance.* Measure key business outcomes (revenues, costs, risks) to confirm that improvements happen where you expect and don't cause problems elsewhere.
- *Value creation.* Constantly focus on the ultimate goal: shareholder (and other relevant stakeholder) value.

The particular metrics to monitor in each dimension will be specific to individual programs, but less is more: metrics often cascade into unwieldy, complex permutations. A McKinsey analysis shows that organizations use only 29 percent of the metrics they claim to follow in change efforts.⁸

Next, decide how often to measure and review the metrics. In large-scale change programs, initiatives should be reviewed weekly by their teams; health and performance, monthly or quarterly by sponsors and steering committees; and enterprise value, once or twice a year by everyone in the program. Reviews enforce accountability, identify issues and best practices, determine remedies, spotlight successes, and instill a culture of continuous learning and improvement.

Don't confine the monitoring and review to the past. As Telefónica de España's former managing director and COO Julio Linares warns, "The market is going to change constantly, and because of that you need to make a constant effort to adapt to the market. Of course, some parts of the program will end, but new ones will come up."⁹ Change programs led by CMOs that adjust them as needed are 4.6 times more likely to succeed.¹⁰

No matter how well you plan initiatives during the *architect* stage, some will probably flounder when

⁶ McKinsey transformational-change survey, 2010.

⁷ Carolyn Aiken and Scott Keller, "The CEO's role in leading transformation," *McKinsey Quarterly*, February 2007.

⁸ Michael Bucy, Tony Fagan, Benoît Maraite, and Cornelia Piaia, "Keeping transformations on target," March 2017, McKinsey.com.

⁹ Josep Isern and Julie Shearn, "Leading change: An interview with the executive chairman of Telefónica de España," *McKinsey Quarterly*, August 2005.

¹⁰ McKinsey global transformational-change survey of 2,314 executives, conducted in January 2010.

you get to *act*: 28 percent of well-planned initiatives don't deliver the results forecast,¹¹ so the CMO should expect to redirect or stop some initiatives, launch new ones, and reallocate resources quickly. Our data show that, on average, the execution end dates of 31 percent of initiatives change once, 28 percent twice, and 19 percent three times.¹² The CMO's role is to ensure that this happens for the right reasons, with rigorous problem solving and no last-minute delays or surprises—a reason to monitor metrics weekly.

Health: Generating energy

During change programs, employees must conduct everyday business while changing the way it's done. That additional work requires additional energy, so change leaders must ensure that programs generate more of it during the *act* stage than they consume. Change leaders can create energy by mobilizing influencers, making change programs personal for a critical mass of leaders, and engaging the workforce with two-way communications.

Mobilize influencers

Senior leaders aren't the only people who guide employees; influencers deep in organizations can disproportionately affect their colleagues' energy levels if a change program excites them. Regardless of their official title or status, they draw power from the many personal contacts who respect and emulate them. Malcolm Gladwell's best seller *The Tipping Point*¹³ describes three types: "mavens" accumulate knowledge and share advice, "connectors" know many people, and "salespeople" can naturally persuade others. Our research indicates that engaging influencers in change programs makes them 3.8 times more likely to succeed.¹⁴

Consider the example of a change program for maternal healthcare in Africa. No traditional form of intervention (such as pamphlets) worked. Eventually, the leaders realized that hairdressers were extremely influential—hair salons were among the few places where young women could talk about the

health of mothers. When the campaign refocused on hairdressers, the message got through.

You can find these sometimes-hidden influencers through social-network analysis (Exhibit 2). One application—"snowball sampling"—uses techniques social scientists developed to study hidden populations: two- to three-question surveys ask employees to nominate (anonymously) three to five people whose advice they respect. These five are also surveyed, and the survey ends when names are repeated—often, after only three to four rounds. Leaders frequently find the results surprising because influence patterns rarely reflect organizational charts.

Companies can mobilize influence leaders effectively in many ways—for example, enrolling them in pilots. At the very least, create a two-way pipeline giving influencers early access to information, so that you gather important feedback on the program's implementation. By using this group to refine new ideas, you can also increase the effectiveness and acceptance of the ideas you implement.

Make change personal for a critical mass of leaders

Mindsets created by an old stimulus last far longer than the stimulus itself, so if you rely solely on changes in the work environment (a new stimulus) to shift mindsets, you'll wait a long time. What's more, changes to the work environment won't affect everyone similarly. Finally, and perhaps most vexingly, to change the work environment, programs must rely partly on leaders to role model the new behavior, even in the absence of any significant external stimulus. Companies must therefore recognize that the biggest barrier to personal change is overcoming the propensity to see *other people* as the problem.

At one company, for example, we asked leaders to estimate how much time they spent tiptoeing around other people's egos. Most said 20 to 30 percent. Then we asked these leaders how much time an

¹¹ Michael Bucy, Tony Fagan, Benoît Maraite, and Cornelia Piaia, "Keeping transformations on target," March 2017, McKinsey.com.

¹² Ibid.

¹³ Malcolm Gladwell, *The Tipping Point: How Little Things Can Make a Big Difference*, Boston, Massachusetts: Little, Brown and Company, 2000.

¹⁴ "What successful transformations share," March 2010, McKinsey.com.

Exhibit 2

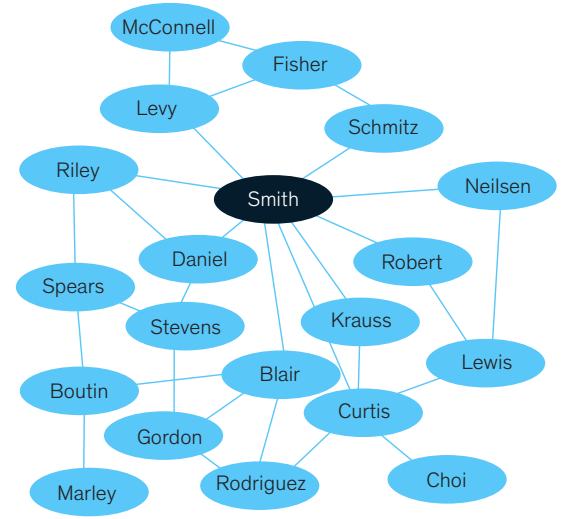
Companies can identify sometimes-hidden influencers through social-network analysis.

Social-network analysis (hypothetical example)

Formal organizational structure



Informal structure showing social networks



employee might spend tiptoeing around *their* egos. Most were silent. Our research shows that 86 percent of leaders claim to role model behavioral changes, but only 53 percent of the people who report to them agree.¹⁵

Our journey to find ways of kick-starting change among leaders has led to the development of what we call personal-insight workshops (PIWs), which mostly take place offsite, in groups of 20 to 30, over a couple of days. During PIWs, facilitators who understand the principles of adult learning and human-potential techniques take participants through the “U-process,” which involves three phases.

The first, *sensing*, typically takes 30 percent of the workshop’s time. Participants explore the company’s change story in the context of their own. During the second phase, *presencing*, which typically accounts for some 40 percent of the workshop’s time, the session turns further inward.

Participants examine their beliefs about what’s possible in the workplace, reflecting on questions such as “when do I feel in the ‘flow’ and what takes me out of it, into fight-, flight-, or freeze-type responses?” “What has conditioned me to respond in this way?” “Can I respond in a different way if I frame situations differently?” “What are the benefits and risks if I do?” “How would these different ways of thinking and acting create a more powerful personal legacy?” “How does all this link to the bigger organizational change discussed in the *sensing* phase?” These techniques help participants to understand their attitudes toward (and more fully embrace) the change program’s organizational mindset and behavior shifts and therefore increase their impact as role models.

Now the U-process enters its third phase: *realizing*, which typically accounts for 30 percent of the workshop’s time. Here participants decide how they will apply the insights from the previous phase

¹⁵“How to beat the transformation odds,” April 2015, McKinsey.com.

in their day-to-day work, how to use their personal networks to mobilize support, and what the group will do collectively.

Companies will see material shifts in the leadership's role-modeling impact once a critical mass of 25 to 30 percent of their people leaders attend such programs. At this point, many leaders are replacing the "if only *they* would change" mentality with the ethos of "if it's to be, it's up to me," so that it becomes contagious and spreads to the whole population.¹⁶ Not every successful change program uses PIW techniques, but in our experience every change program that did succeed. In particular, we've seen PIWs thaw the change-resistant "frozen middle" of managers more quickly and effectively than any other approach.

Use high-impact two-way communications

The final element of the *act* stage—high-impact two-way communications that energize the organization—makes change programs four times more likely to succeed.¹⁷ Consider an experiment involving two groups of people: "tappers" and "listeners."¹⁸ In a preparatory session, the tappers were told they would drum out the rhythm of famous tunes, such as "Happy Birthday to You," with their fingers. The listeners would have to guess what it was. Then the experimenters asked the tappers to predict what proportion of the songs the listeners would identify correctly. They guessed half. The actual result was 2.5 percent. As the tappers tapped, they became visibly frustrated with the bewildered listeners. The lesson: if you know something, you find it hard to imagine not knowing it—"the curse of knowledge."

We constantly see it at work in change programs. Leaders who have been deeply involved in creating the change story assume that others will absorb it quickly. But when anyone first hears the story, what leaders consider carefully crafted messages come

across as disconnected ideas. To break the curse, use a combination of four approaches.

First, leaders who retell a story should understand what it's like to hear it for the first time by testing it on others. Second, make the message stick by relentlessly repeating simple, memorable language; Walmart's "ten-foot rule," for example, supports customer service by reminding frontline employees that whenever they are within ten feet of a customer, they should look him or her in the eye, smile, and ask how they can help. As Willie Walsh, who has been chief executive of several airline companies, puts it, "The simpler the message, the easier it is to deliver. The simpler the message, the more likely it is to be consistent. The simpler the message, the easier it is to control and manage the communication."¹⁹

A third way is to move from "telling" to "asking," which uses even chance encounters effectively. Emerson Electric's CEO David Farr asks virtually all employees he meets four questions: "How do you make a difference?," "What improvement ideas are you working on?," "When did you last get coaching from your boss?," and "Who is the enemy?"²⁰ This way of engaging employees has far more impact than simply exhorting them about the company's health themes: alignment, continuous improvement, coaching, and collaboration.

The fourth way of overcoming the curse is to ensure that many channels—speech, print, online, symbols, rituals—reinforce your messages. In fact, the best two-way communications programs not only tell the same story through multiple channels but also tell different aspects of it through different channels. Companies should use channels creatively—particularly social media. We've seen successful two-way communications strategies involving blogs, tweets, videos, podcasts, "jams,"²¹ and online Wiki-like resource centers tailored to employee segments. These become even more powerful when

¹⁶ For example, see Andrea Baronchelli, Joshua Becker, Devon Brackbill, and Damon Centola, "Experimental evidence for tipping points in social convention," *Science*, June 2018, Volume 360, Number 6393: pp. 1116–19, science.sciencemag.org.

¹⁷ "What successful transformations share," March 2010, McKinsey.com.

¹⁸ Chip Heath and Dan Heath, "The curse of knowledge," *Harvard Business Review*, December 2006, hbr.org.

¹⁹ Personal interview.

²⁰ The right answer is competitors, not some other department.

²¹ Online, topical, time-bound problem-solving sessions often involving thousands of employees.

Organizations can maximize a multichannel communications strategy's power by segmenting the employee base and mapping the change-experience journey for each segment.

interwoven with in-person formats, such as large group offsites and unannounced visits.

Equally important, create bottom-up channels. When Lisa Hook was Neustar's CEO, she sponsored a video competition to communicate the company's performance-and-health strategy. Employees submitted videos and voted for them online; the executive committee chose the winner and the CEO presented an award. Likewise, during a change program in the early 2000s, employees of the Australian telecommunications company Telstra created a "rogue" comic strip to challenge cynicism about a change program. The corporate center can seed such bottom-up efforts, but they must spread autonomously. Infrastructure and funding may be needed, and some companies give influence leaders a small budget and a mandate to "start a fire" (create energy for change).

Some powerful channels for changing mindsets and generating energy are often underutilized—for instance, new rituals. When a mining company made safety a theme of its change program, it started meetings with announcements about emergency exits and safety hazards. Another underutilized channel is the outside world. As Banca Intesa's former CEO Corrado Passera reflects, internal results matter little "if everyone keeps reading in the newspapers that the business is still a poor performer, is not contributing to society, or is letting down the country as a whole."²² Change leaders should look for ways of leveraging customers, users, and other stakeholders to generate energy for change.

Organizations can maximize a multichannel strategy's power by starting with an employee segment and mapping its change-experience journey. Employees may, for example, learn about the change program in an offsite interactive story-cascade session, read about it on the company's home page, and see posters about it on walls at work. At home, they may learn about it in the press. Next, they could take part in a skill-building "field and forum" journey to improve as change leaders. Eventually, they will notice how changing structures, processes, systems, and incentives are realizing the change story's vision and plan. Employees experience a coherent, reinforcing journey taking them from their previous mindsets and behavior toward those needed to make change programs succeed.

Masterstroke: Motivate through social contracts

In each of our five stages of performance and health, we emphasize a masterstroke: counterintuitive lessons from the field of predictable irrationality. Discounting them causes frustration and delay; leveraging them can greatly accelerate a change program's impact. In this, the *act* stage, the masterstroke involves incentives.

Conventional wisdom is clear: if compensation isn't linked to the objectives of a change program, employees believe that it isn't important. Unfortunately, however, the upside to linking change objectives to financial compensation is generally limited, practically and psychologically. In practice, compensation can

²² Josep Isern and Julie Shearn, "Leading change: An interview with the executive chairman of Telefónica de España," *McKinsey Quarterly*, August 2005.

rise only within limits and reflects many metrics: overall company performance, the P&L of individual areas, and so forth. No one metric affects overall results significantly. Changing a company's approach to compensation is also hard—typically requiring board approval—and unintended consequences may ensue.

From a psychological standpoint, the benefit of increased income on happiness greatly decreases beyond \$75,000 a year. Besides, financial incentives become less effective the more organizations use them.²³ Fortunately, leaders needn't rely heavily on compensation to drive change; they can stimulate motivation by using what the field of predictable irrationality calls a social—not a market—exchange. Say you go to someone's house for dinner and afterward ask your host how much money you owe her. The offer of money changes a social interaction into a cringeworthy market transaction. Yet if you had brought your host a bottle of good wine, she would have accepted it gladly. A gift is a symbol of long-term, reciprocal social norms rather than short-term, transactional market norms.²⁴

This social approach to shaping behavior is cheaper and often more effective. The American Association of Retired Persons (AARP), for example, once asked lawyers to give discounted prices to retirees. The lawyers declined. Then the AARP, understanding the lesson we have described, went to other lawyers and asked them to work free of charge. Most agreed.²⁵ Compensation invoked market norms; pro-bono work, social ones.

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The best change leaders use small, unexpected nonfinancial rewards and recognition to great effect. When John McFarlane was CEO of ANZ bank, he gave every employee a bottle of champagne for Christmas, and that had far more impact than a bonus equaling the champagne's cost. As CEO of PepsiCo, Indra Nooyi sent thoughtful, hand-written letters praising her top team not only to its members but also to their spouses, creating enormous additional motivation for change. You can take people to lunch, leave laudatory Post-it Notes for them, or give them public recognition among their peers. As Walmart founder Sam Walton said, "Nothing else can quite substitute for a few well-chosen, well-timed, sincere words of praise. They're absolutely free—and worth a fortune."²⁶

The first three stages of the change journey (*aspire*, *assess*, and *architect*) typically take months; the *act* stage, years. Don't count on the initial excitement to last; instead, generate energy and create ownership methodically to keep your change program on the right path throughout its twists and turns. We often liken the *act* stage to sports. When a team takes the field, it has a game plan, but once the whistle blows, points rarely come from well-rehearsed plays. The ability to improvise within the game plan usually makes the difference between winning and losing, in sports and business alike.

²³ Angus Deaton and Daniel Dahneman, "High income improves evaluation of life but not emotional well-being," *Proceedings of the National Academy of Sciences*, Volume 107, Number 38, September 2010, pp. 16,489–93.

²⁴ Dan Ariely, *Predictable Irrationality: The Hidden Forces that Shape Our Decisions*, New York: HarperCollins, 2008.

²⁵ Michael J. Sandel, *What Money Can't Buy: The Moral Limits of Markets*, New York: Farrar, Straus, and Giroux, 2012.

²⁶ Sam Walton, *Sam Walton: Made in America*, New York: Bantam, 1993.