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Implementation Practice

How to implement transformations for long-term impact

When it comes to implementing large-scale organizational change, the most successful organizations commit themselves fully to the effort from start to finish.

May 2023

Many organizations embark on large-scale transformations, only to end with frustrated leaders and worse-than-expected long-term results. These efforts typically start with high aspirations and significant energy then lose an average of 42 percent of their expected value in the later phases of the transformation program, where the focus shifts to executing and sustaining change.[1]

While many programs lead to disappointment, our latest McKinsey Global Survey on the topic[2] shows that success *is* attainable and that organizations that excel at implementation tend to outperform their peers financially. The research also indicates that the top-performing organizations—that is, the ones that achieved their transformation goals *and* sustained performance gains for at least three years—have several attributes in common. Specifically, these organizations are more likely than others to install a comprehensive, rigorous slate of implementation practices over the program's life span. They also achieve most of their people-oriented transformation goals and commit enough resources to the effort.

At a glance

— *With transformations, long-term impact is rarer than one may think.* While 56 percent of respondents say their organizations have achieved most or all of their transformation goals,[3] only 12 percent report that they have sustained these goals for more than three years.

— *Significant value is lost during the executing and sustaining phases.* Respondents say that on average, 42 percent of the potential financial benefit from their organizations' transformations is lost during the latter of four stages of a large-scale change effort.

Just over half of respondents say their companies' transformations accomplished most or all of their performance goals, and only 12 percent say they sustained those goals for more than three years.

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[1] The other, earlier stages of a transformation are setting targets and planning. For this article, we define "executing" as the actions related to the rollout of designed initiatives, resource allocation, incentives, communication, role modeling, processes, and systems changes. We define "sustaining" as those actions related to ensuring changes are embedded into business-as-usual structures of the organization after the transformation is completed and all initiatives have been executed.
[2] The online survey was in the field from August 2 to August 19, 2022, and garnered responses from 908 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures. Among the respondents who took the survey, 758 had participated in a transformation over the past five years. To adjust for differences in response rates, the data were weighted by the contribution of each respondent's nation to global GDP.
[3] According to the survey, 9 percent of respondents say their organizations' transformations achieved all of their performance goals, and another 47 percent say they achieved most of them.

— *There's a big payoff for those who succeed with implementation.* Respondents who say their companies have achieved their implementation performance goals and also sustained the transformation gains for more than three years report twice the rate of financial growth as their peers.

— *Commitment to executing and sustaining changes over time is crucial to seeing impact.* Top-performing organizations are more likely than others to commit themselves to three implementation practices: maintaining implementation rigor in the later phases of the program; focusing on "people" goals, including employee experience and talent management; and devoting appropriate resources to every stage of the effort. In fact, those organizations that commit to all three areas are 3.4 times more likely than others to achieve and sustain their performance gains for more than three years.

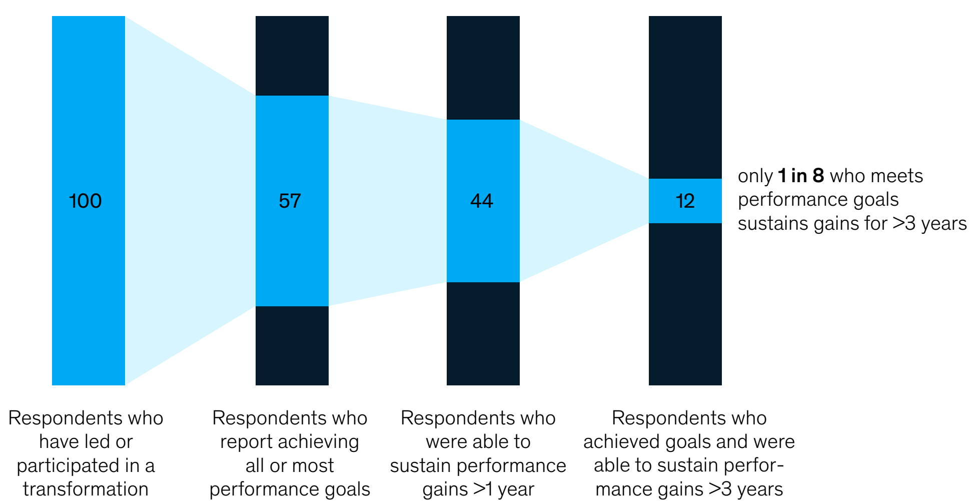
The value of getting implementation right

Among those respondents who have led or participated in a transformation within the past five years, only a little more than half (56 percent) say their companies' transformation programs were able to accomplish most or all of their performance goals—at least initially. The picture looks even bleaker when we ask how long they sustained these performance gains: only 12 percent say their organizations were able to sustain them for more than three years (Exhibit 1).

Exhibit 1

Implementing transformations that achieve goals continues to be challenging, respondents say—and sustaining those gains over the long term is even harder.

Implementation and performance success rates,[1] % of respondents (n = 758)



[1]Respondents who participated in and/or led a transformation; based on % of respondents, adjusted for respondent weights.
Source: McKinsey Global Implementation Survey, 2022

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McKinsey commentary

Steve Armbruster

Partner, Austin, Texas

"In a time of ever-accelerating pace of change in business and the broader world, it's never been as important as it is now to execute and build capabilities in major transformation programs. And guess what: we're finding that it's even harder to do this than we thought. Only one in eight survey respondents say their companies are actually managing—and following through with—top-performing transformations."

For those who do succeed in accomplishing their goals, there appears to be a big payoff. According to our survey, respondents who had achieved their implementation performance goals and managed to sustain the transformation gains for at least three years (those who we call the "top performers") are more likely to report above-average financial growth: an average of 11 percent compound annual EBIT growth over the past five years, compared with an average of 5.3 percent among other respondents (Exhibit 2).

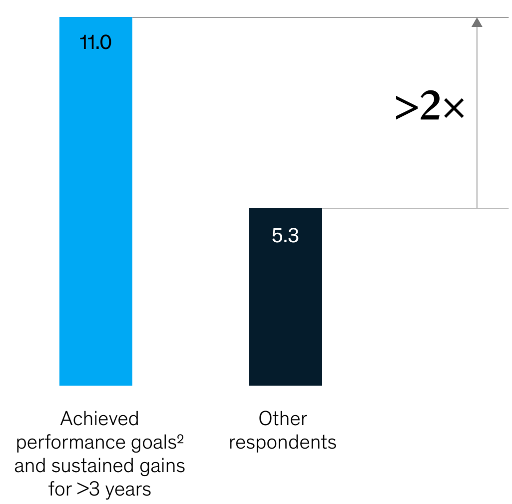
Top performers know the long road ahead

So what sets these top performers apart from the pack? This is a question that countless executives continue to ask as they push to make a transformation's initiatives, and their impact on the organization, hold up over time.

Exhibit 2

Organizations that had successful transformations report twice the EBIT growth of their peers.

EBIT growth over the past 5 years, by implementation success,[1] %



[1]EBIT growth is a McKinsey estimate based on responses to the survey.
[2]Achieved performance goals is defined as companies that report achieving "all or most" of their performance goals established at the start of the transformation.
Source: McKinsey Global Implementation Survey, 2022

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McKinsey commentary

Takanori Sakamoto
Partner, Tokyo, Japan

“While the early phases of a program certainly matter, the later stages of the program—including execution—introduce the most risk to a transformation’s outcome. Rigor, skill, and passion are critical during execution and to the entire transformation journey, which can be long and involve lots of ups and downs. That is why the CEO and top management should remain committed from start to finish and ensure that their people also bring the same focus and commitment.”

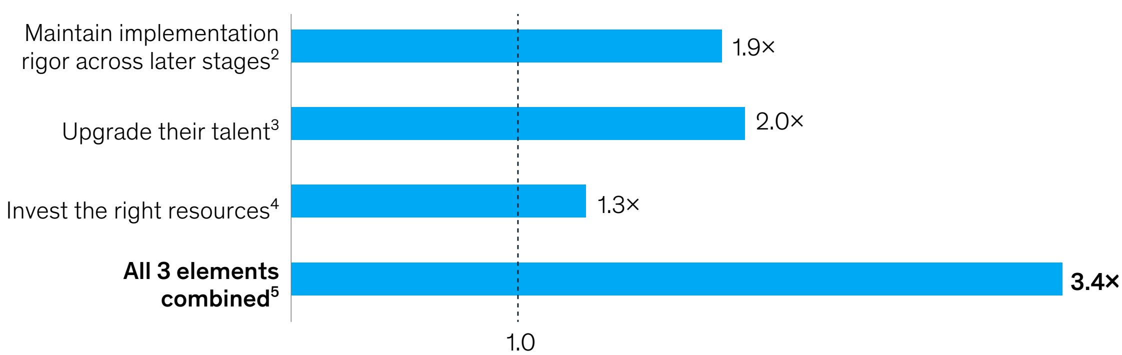
When we look at those respondents who report top-performing transformations, a pattern emerges. According to the survey, these programs are much more likely than others to demonstrate three critical long-tail implementation practices that appear to dramatically improve their odds of success (Exhibit 3). What’s more, those that follow all three are 3.4 times more likely than their peers to say their transformations’ impact was sustained for more than three years:

1. *Maintain implementation rigor across the program’s later stages.* From start to finish, respondents in top-performing transformations are more likely to say their senior leaders model the importance of the program through their active engagement and continual presence. Top-performing transformations also are more likely to foster a spirit of continuous improvement to adapt to changing market conditions. They maintain a steady drumbeat of progress

Exhibit 3

Respondents’ organizations that followed three key practices were more likely than their peers to achieve implementation goals and sustain them over time.

Key practices to increase likelihood of achieving a top-performing transformation,[1]
multiples of increased likelihood of success



[1]Defined as transformations that achieved most or all goals and sustained them for >3 years. [2]Respondents who said their companies’ transformations demonstrated critical long-tail practices like role modeling, investing in capability building, and establishing a project management or transformation office. [3]Respondents who said their companies achieved most of their transformations’ people goals. [4]Respondents who said their companies deployed resources that were at least “in line” with their transformations’ needs. [5]Respondents who said their companies’ transformations (1) demonstrated long-tail practices, (2) achieved most of their people goals, and (3) deployed enough resources for the transformation.
Source: McKinsey Global Implementation Survey, 2022

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McKinsey commentary

Nancy Busellato

Associate partner, Rome, Italy

"To succeed in a transformation, companies must find a way to create and then reinforce the capabilities that will maintain their gains over the long term. To do so, they must balance effectiveness with efficiency while maintaining a focus on their people as well as on performance. This will empower employees to drive and sustain change no matter what the circumstances of the transformation are."

by embedding the project management or transformation office deep into the structure of the organization, and they keep the organization energized by aligning performance incentives with the goals of the program.

2. *Use the program to upgrade their talent.* They are more likely to seek out their best talent for mission-critical roles—and use the transformation as an opportunity to identify and promote new talent across the organization. They tend to invest in capability building across the organization, using the later stages to lock in new leadership, technical, and functional skills. According to the survey, organizations that achieved most of their "people" goals in a transformation were twice as likely as other respondents to sustain those goals for more than three years.

3. *Invest the right resources in every stage.* Top performers are more likely than others to make their transformation a priority over other possible investments. They deploy their best people in critical program roles and provide the right level of financial support to foster a sustainable impact. They also keep the organization's focus on minimizing the loss of value throughout a long transformation journey and use strategic resourcing to maintain pace and momentum.

The survey content and analysis were developed by **Steve Armbruster,** a partner in McKinsey's Austin office; **Nancy Busellato,** an associate partner in the Rome office; **Nick Robson,** a consultant in the Atlanta office; and **Takanori Sakamoto,** a partner in the Tokyo office.

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