

## Is Your Organization Ready for Change?

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**Companies expecting to drive change need to tap the views of their people to anticipate and overcome the obstacles to success in implementing new strategy.**

### Introduction

We all know the story. We see it all the time in the business pages: grand vision yields disappointing results; company stumbles implementing merger; business loses hundreds of millions of dollars on failed new venture; stock price plummets; management is under siege.

Major change means major risk, and too frequently the greatest risks lurk out of sight until too late. Then, the post-mortem review uncovers them. Often it isn't the change strategy itself that's at fault. Sometimes leadership lacks the skills to implement the strategy or fails to communicate the strategy and rally support; sometimes the organization isn't ready for change or lacks the requisite competencies; sometimes the strategy simply isn't a good match for the organization's imbedded culture.

What companies often fail to realize is that the causes of disaster, as well as enablers of success, can be readily discovered and addressed by tapping the knowledge already contained in the minds of their employees. Today, a few companies are taking steps to avoid such nasty fiascoes. Instead of charging ahead to implement change plans, they're stepping back and surveying their organizations, from the bottom up, to see if there are unmapped pitfalls.

- A large manufacturer planned to introduce a new high-tech product line. It had already identified a market niche in which it believed it could compete and surveyed its best salespeople to get their views on the challenges involved in the new product launch and what it would take to succeed. To its chagrin, the company found that the likelihood of success was extremely low: not only was the product priced out of the market, but it was also put into a part of the company that understood neither the new technology nor how to market it. Canceling the project saved senior management from the embarrassment of squandering millions of dollars on a doomed project.
- A well-known financial services firm had devised a new strategy to spur innovation and collaboration between different businesses under its corporate umbrella. Although the leadership of the different businesses was extremely capable of leading the change and ready to roll with the strategy, feedback from rank-and-file employees found that not every part of the business was prepared to follow. Employees in one key business lacked both the desire and the skills to implement the change, those in another business didn't see the change as necessary, and still

others were still angry about a previous restructuring. In this case, the company knew it had some serious homework to do before it could make change happen successfully.

A prerequisite of any successful change effort, of course, is a top management team skilled in leading change. Many companies today are using 360-degree assessment surveys to map leadership skills. Typically, 360-degree assessments look at individual executives from the perspective of their bosses, peers, direct reports and possibly clients, customers and vendors. Such assessments are extremely useful in helping executives uncover areas where they need improvement. However, a 360-degree assessment of top executives, such as the CEO or the CFO, typically stops at the level of their direct reports. It does not reach lower down into the organization to junior executives, managers and supervisors or the rank-and-file workforce. Yet these are often the people best positioned to see if the organization has confidence in its management and is both ready and willing to follow its lead.

### **A Survey-based Solution**

What is needed is a snapshot of organizational reality – a “bottom-up” 180-degree assessment” – of the organization’s readiness to change. The assessment should tap these four dimensions:

- Leadership’s readiness to lead the change strategy
- The organization’s understanding of that strategy
- The organization’s capability to accomplish what the strategy requires
- The ability of the organization’s culture to support the strategy

The survey would typically ask employees just a few questions about each of these four di-

mensions, with the goal of seeing if the organization is ready for change and if not, why not.

#### **1. Are Your Leaders Ready?**

Top management may have a great plan, but if the employees don’t believe that the company’s leaders know what it is doing or have the skills to carry it off, they won’t be motivated to follow management’s lead.

People are constantly looking for signs that management has the “right stuff”. For example, if they see the wrong people winning promotions and incompetent people being placed in positions of authority, they attribute that to bad leadership. That perception, right or wrong, undermines their confidence in leadership and their willingness to go all out for success.

To see how the employees perceive top management, the survey asks a handful of questions along the line of “Does senior management have the necessary skills to lead the company into the future?” “Does management do what they say they will do?” “Do the top executives work together well as a team?” “Are they a team that can lead us successfully into the future?” The goal is to ensure that when the leadership is ready to lead, the workforce is fully prepared to follow.

If the survey discovers that the employees have serious reservations about the leadership, it’s a red flag to management to pause and rethink where it’s going. Often employees see gaps or weaknesses that aren’t apparent to their leadership.

It doesn’t really matter if the employees’ negative perceptions are correct or not. It’s the perceptions themselves that are important. If employees don’t think the change strategy will work, it probably won’t, even if it’s a good strategy.

If management thinks that the employees’ negative perceptions are incorrect, then it’s time for the CEO and the other members of

the leadership team to address the roots of these perceptions.

## 2. Do Your People Understand the Strategy

Sometimes companies develop a change strategy and fail to communicate it clearly. As a result, employees are confused about where the company is heading and what they are supposed to do to help it reach its destination.

In surveying the workforce about their knowledge of the change strategy, questions should zero in on such things as whether employees know the strategy in general and think it makes sense, understand its impact on their jobs, and are aware of their individual roles in implementing the plan and making it succeed. The survey can also probe to see if employees are “buying into” the plan. If they feel that the change strategy is being imposed on them, they may give it halfhearted support. The same is true if employees feel that the details of the strategy are not discussible.

Given the thought and discussion involved in creating a new direction for a company, it's easy to overlook the fact that most people outside of the executive ranks don't really understand the change in the organization or its implications. For example, new strategies and reorganizations, and are often launched without sufficient buy-in. That doesn't mean that everyone has to be involved in or agree with the change before it is implemented, but it does mean that the reasons for change have to be communicated in persuasive terms that make logical sense to the average employee. In the case of the financial institution mentioned earlier, the survey found that some key groups of employees understood the new company direction but thought it was a bad idea and felt that they had no way to express their concerns about it.

If management thinks that the employees' negative perceptions are incorrect, or that they simply misunderstand the strategy, then it's time for the CEO and the other leaders to

get out and start communicating more with the workforce. Highly successful CEOs generally go out of their way to communicate their vision to the workforce and to rally support for that vision. Put simply, when major change is afoot, you cannot over-communicate.

## 3. Is Your Organization Capable?

Different organizations have different core competencies. Some are famous for innovation; others for excellence in logistics and distribution. Some are great at marketing products and ideas; others are known for their efficient operations and low costs; and still others are renowned for customer service.

In preparing for change, it is important for management to understand its core competencies— and then ask if the organization has the competencies in place to move in a whole new direction. If the competencies are in place, the organization is ready to move. If not, then management may find that its best course is to get its house in order – and then think about major change.

In assessing competencies, the survey should focus specifically on the organizational behaviors that indicate whether core competencies that are critical for the success of the proposed change are present or absent. For example, if the company is serious about encouraging innovation, it should know if employees feel that good ideas are heard, regardless of their source; if efficient operations is the driving force, employees should believe that the company is good at eliminating wasted effort and layers of bureaucracy. The main idea is to ask questions, the answers to which will tell you if the organization is acting in a way that is consistent with the desired result.

## 4. Does Your Culture Support Your Strategy?

Some company cultures drive people to perform; others do not. Performance-driven envi-

ronments set high standards and demand a lot of people. They also recognize and reward achievement. At the same time, they make people feel that they are respected and that their ideas are valued.

Every company should be shooting for a performance-driven culture. The question is one of degree. Some high-performance organizations are much more competitive than others are. In planning strategic change, what is critical is whether the organization can perform at a high enough level to achieve the leadership's objectives.

So, in this fourth dimension of the assessment, the survey should ask employees questions focused on their perception of what kinds of behaviors the organization encourages and supports, such as "Can you make decisions on your job without being second-guessed?" "Can you get things done without a lot of bureaucracy and red tape?" "Is good work encouraged and rewarded?" "Are you treated with courtesy and respect?" The answers to such questions can tell whether employees feel empowered and encouraged to do what is necessary for success or, conversely, think the best strategy is "to keep your head down and your mouth shut".

Company cultures vary widely. Some encourage employees to take risks and consider making mistakes as part of the learning process; others have very limited tolerance for error of any kind. Some foster competition

within the organization, while others reserve their competitive drive for the outside and encourage internal cooperation. The survey questions should be specific to the company and the culture it wants to create.

If the survey finds that the culture and the change strategy do not support each other, the company may be gearing up for the wrong challenge -- or it may have to reshape its organization to ready it for the challenge. In particular, it may need to pay more attention on making their company a place where motivated and talented individuals feel that their skills are well utilized and where they look forward to coming to work.

### Assessing the Findings

A bottom-up 180-degree assessment can tell if an organization is ready to move forward. In particular, it can show if everything is aligned for success – the right strategy, a leadership that can implement it, an organization that knows what it has to do and is ready to do it, and a culture that encourages everyone to achieve as much as possible.

When the key dimensions of an organization are out of whack, success will, at best, limp home or, more likely, simply fade away. But when everything is aligned, success can come with a rush, as if it were preordained. A bottom-up 180-degree assessment can help the leadership gauge just how ready their organization is to make that run for success.



**George Klemp** is a founding partner and the President of Cambria Consulting. He has over 30 years of management consulting experience and is one of the principal developers of job competency assessment technology. Dr. Klemp has worked with more than 50 companies in the Fortune 500, as well as colleges, universities and federal agencies, to develop competency models, selection systems, professional and managerial development programs, succession planning strategies, and organizational surveys. His clients include Alcoa, Credit Suisse, ExxonMobil, Fidelity Investments, Gillette, JP Morgan Chase, Lehman Brothers, Limited Brands, PPG Industries, Putnam Investments, United Technologies and Wachovia. He has also been a keynote speaker at national and international conferences, presenting on topics including leadership and advances in competency-based human resource management.