

The people power of transformations

A new survey suggests that for their transformations to succeed, organizations need employee buy-in at all levels, consistent communication, and better people strategies.

Organizational transformations are hard work, and according to the latest McKinsey Global Survey on the topic,¹ companies are no more successful at overhauling their performance and organizational health than they were ten years ago.² A particular blind spot seems to be the failure to involve frontline employees and their managers in the effort.

Transformations have their truisms. Successful ones, for example, require visibly engaged C-suite leaders who communicate clearly about the changes at hand. A vast majority of all respondents report these characteristics at their companies, whether or not their transformations have worked. But the results suggest that while C-level support is necessary, it is not by itself sufficient. A transformation's success also requires that people across the organization have a specific role to play and that everyone knows how to carry out his or her part.

Our survey asked about seven specific roles and the actions that employees in these roles take during a transformation.³ For each one, and most notably for roles at lower levels of the organization, respondents at companies with the most successful transformations report overall greater degrees of involvement.



Respondents at these companies also are likelier to report other practices that set their transformations apart: consistent communication around the changes being made, especially to those on the front line; clear definitions of roles and responsibilities; and a strategic approach to talent management. In contrast, responses suggest that without employees at all levels having a stake in the outcome, the transformation might well be doomed. Among respondents whose companies' transformations failed to engage line managers and frontline employees, only 3 percent report success, compared with success rates of 26 and 28 percent, respectively, when each of these groups is engaged.

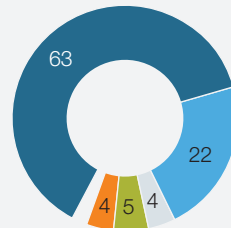
Look beyond the C-suite

Among respondents, there is clear consensus that company leaders are deeply involved in and committed to transformational change (Exhibit 1). Even on the front line, 84 percent of respondents say their CEOs are very or somewhat engaged. So do a majority of respondents at companies where the transformation

Exhibit 1 Overall, respondents agree that their companies' CEOs are deeply involved in transformational change.

How visibly engaged has CEO been in your most recent transformation?, %¹

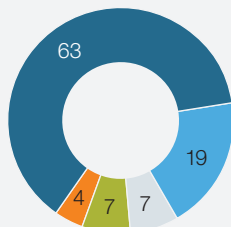
Very engaged Somewhat engaged Neutral Somewhat disengaged Very disengaged



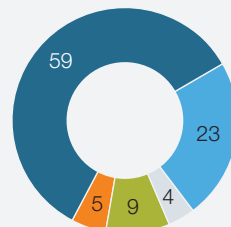
CEO's level of engagement in transformation

Do you agree that each statement describes CEO's role in transformation?, %¹

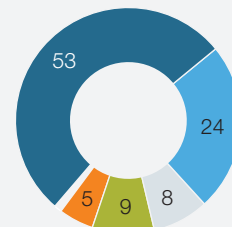
Strongly agree Somewhat agree Neutral Somewhat disagree Strongly disagree



CEO is visible advocate of transformation



CEO communicates compelling change story to organization



CEO communicates connection between transformation objectives and overall performance goals

¹Total number of respondents was 1,487. Respondents who answered "don't know/not applicable" are not shown, so some pie charts may not sum to 100%.

failed,⁴ suggesting that CEO buy-in is a critical and therefore expected part of a transformation. Indeed, when asked which role has had the greatest impact on transformation results, respondents across the organization cite CEOs most often.

What really sets the more successful transformations apart, according to the results, is the involvement of frontline employees and their managers. Many companies seem to miss this: respondents rate these groups (along with their human-resources leaders) as the least engaged in transformations. At successful companies, though, respondents are much likelier to report visibly engaged frontline employees: 73 percent do, compared with 46 percent of all other respondents (Exhibit 2).

Exhibit 2 In successful transformations, employees in every role tend to be more engaged, especially at lower levels of the organization.

How visibly engaged has each role been in your organization's most recent transformation?, %¹

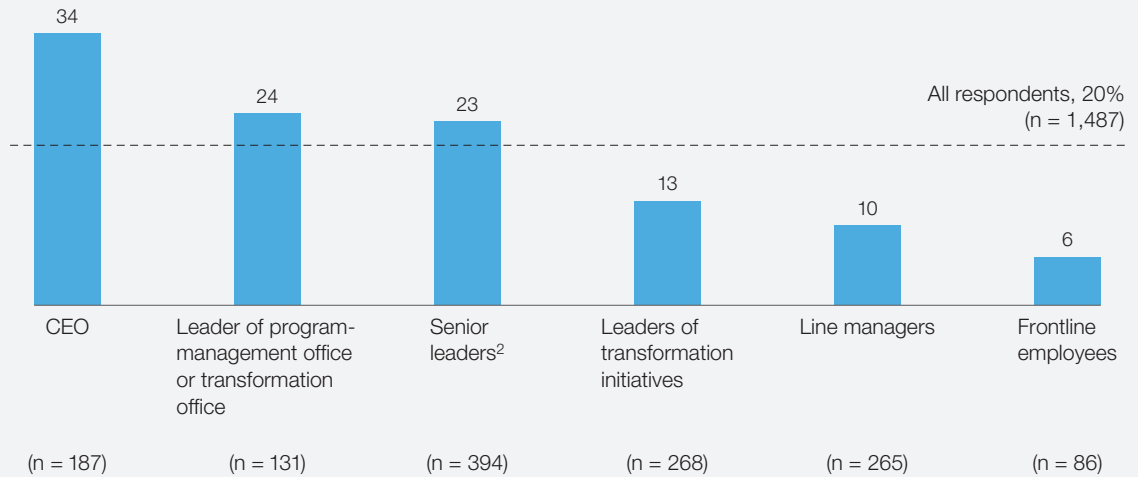


¹Includes respondents who answered either "very engaged" or "somewhat engaged." Respondents who answered "neither engaged nor disengaged," "somewhat disengaged," "very disengaged," or "don't know/not applicable" are not shown.

²A successful transformation is one that, according to respondents, was very or completely successful at both improving organization's performance and equipping organization for sustained, long-term performance.

Exhibit 3 Across roles, line managers and frontline employees are the least likely to report transformation success.

Respondents reporting successful transformations, by role, %¹



¹ A successful transformation is one that, according to respondents, was very or completely successful at both improving organization’s performance and equipping organization for sustained, long-term performance.
² Includes chief human-resources officers.

Not surprisingly, involving the front line is even more challenging at larger companies, where the rate of transformation success is also lower.⁵ Just 45 percent of respondents at larger firms, compared with 58 percent at smaller firms, say frontline employees are visibly engaged in transformations. The same is true of line managers: respondents at bigger companies are less likely than their smaller-company peers to say their line managers—who oversee frontline work and whose activities are directly affected by transformation initiatives—are engaged in the effort.

It’s not surprising, then, that these groups are the least likely to view their companies’ transformations as successful (Exhibit 3). Yet their involvement and perspective could not be more critical: among transformations that fail to engage either line managers or frontline employees, only 3 percent of respondents report success.

The difference that good communication makes

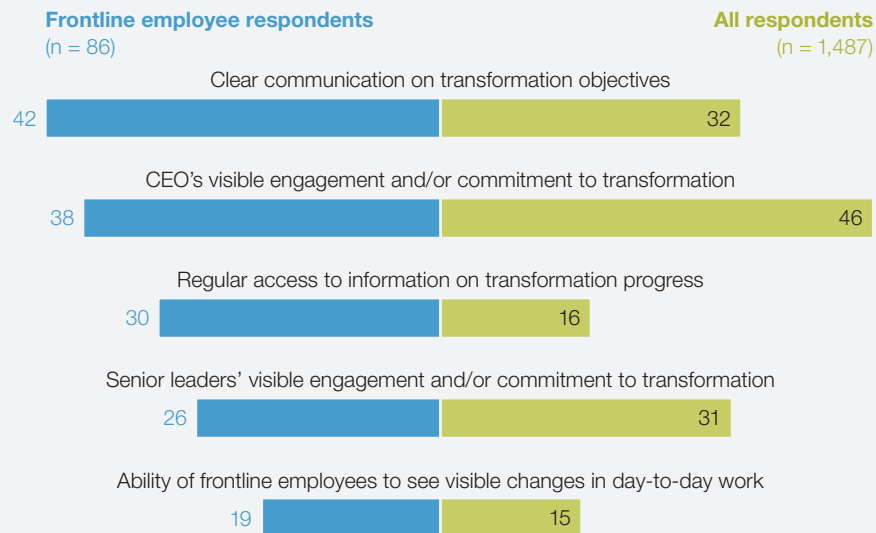
While frontline engagement is so important to a transformation’s outcome, few respondents report that their organizations built broad ownership of the change effort. Only 39 percent of all respondents—and 11 percent at companies with failed transformations—say so. One way to build ownership is with

effective communication, which emerged in earlier work as a key factor of transformation success. In our previous survey,⁶ the largest share of respondents said that if their organizations pursued a transformation again, they would spend more time communicating a change story about the effort.⁷

This year’s responses suggest that communication remains top of mind for respondents at all levels. When asked how their companies are engaging frontline employees, respondents most often identify techniques that involve communication—for example, communicating about the need for the transformation and the transformation’s objectives. When asked which factors have been most effective, they also select communication-related actions often. But frontline employees sometimes differ from other respondents about which actions have actually worked (Exhibit 4). Just 16 percent of all respondents say regular access to information on the effort’s progress is an effective way to engage the front line. But nearly twice the share of frontline respondents say the same.

Exhibit 4 Frontline employees differ from others in their views on the best ways to engage them in transformations.

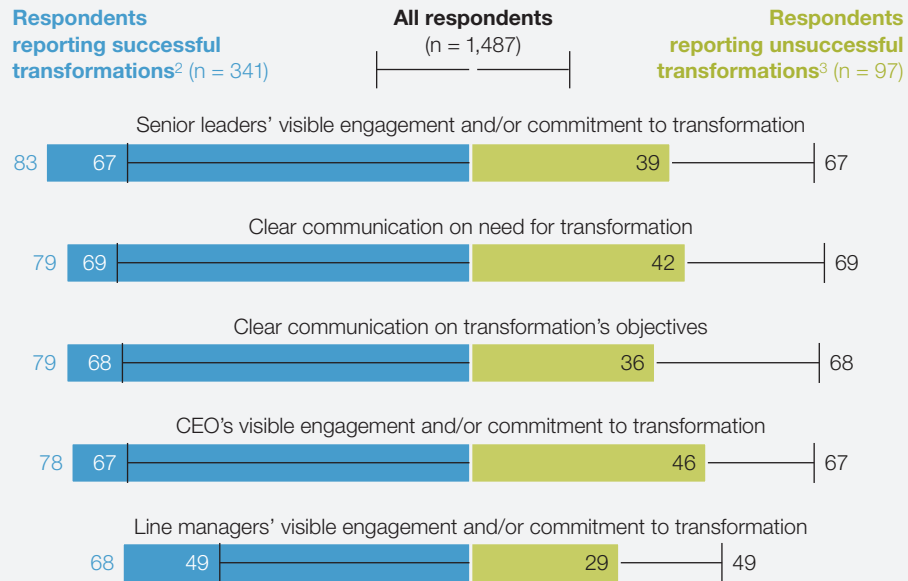
Which actions have been most effective at engaging frontline employees in your organization’s transformation?, %¹



¹ Out of 10 actions that were offered as answer choices. Actions are arranged in descending order, based on responses from frontline employees.

Exhibit 5 Companies with the most successful transformations do more than others to communicate with and engage the front line.

Actions companies have used to engage frontline employees in transformations, %¹



¹ Out of 10 actions that were offered as answer choices. Actions are arranged in descending order, based on responses from respondents reporting successful transformations.

² A successful transformation is one that, according to respondents, was very or completely successful at both improving organization's performance and equipping organization for sustained, long-term performance.

³ An unsuccessful transformation is one that, according to respondents, was not at all successful at both improving organization's performance and equipping organization to sustain improvements over time.

Still, the most successful companies are much better than others at creating clear lines of communication (Exhibit 5). Two-thirds of respondents at these organizations say they provide regular access to information on the transformation's progress, compared with about half of all respondents and 28 percent of those with failed transformations. Respondents at successful companies are also likelier than others to report that CEOs and senior leaders are visibly engaged and committed to the transformation.

The people—and people strategies—that make transformations work

Transformation success isn't contingent upon the front line alone, of course. The results suggest that when everyone in the organization plays their own unique roles, the odds of success are much greater (see sidebar, "A transformation's critical roles"). But what does the right role look like? According to respondents, company leaders contribute most to a transformation when they articulate a vision and communicate actively. A transformation is 5.8 times more likely to be successful at organizations where CEOs communicate a compelling, high-level change story, and 6.3 times likelier when senior leaders

A transformation's critical roles

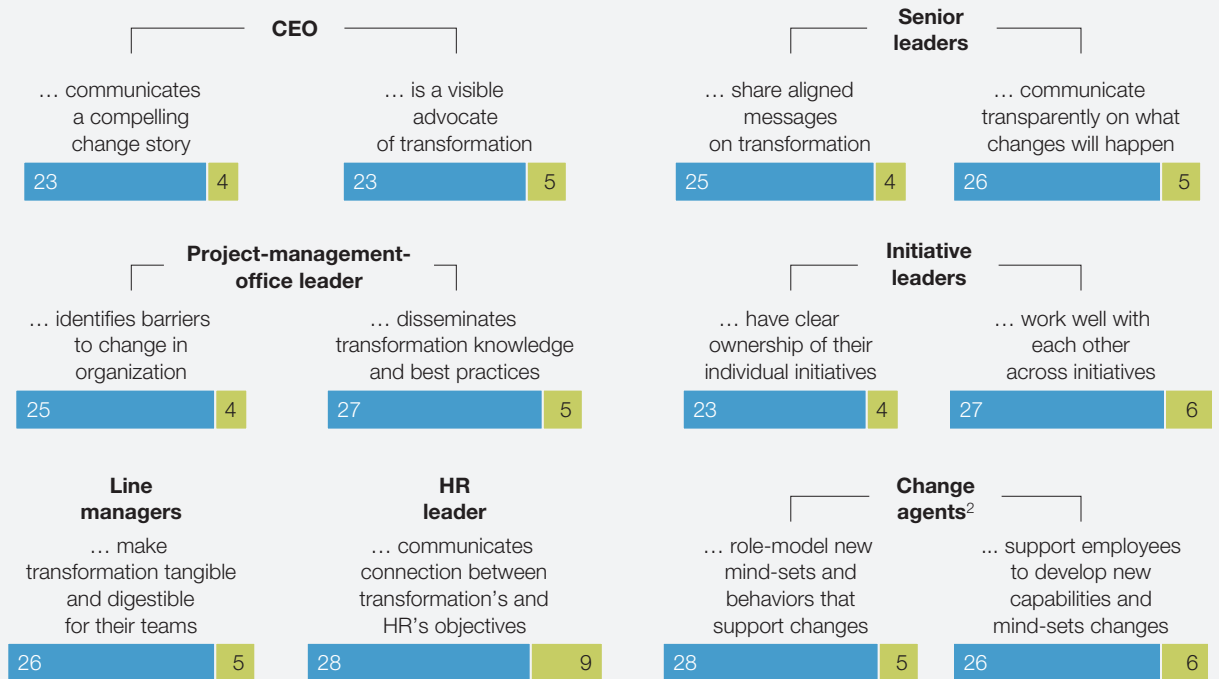
We asked survey respondents about seven specific roles at their organizations and the extent to which the people in these roles fulfilled specific practices that, in our experience, best support a transformation. The results suggest that each of these roles has unique value to add and that, when everyone contributes, the odds of transformation success are much greater. Based on responses, here's what the right roles look like across the organization:

- *CEO.* In a transformation, the most important role for the CEO to play is that of a visionary who shows the organization the way by communicating a compelling change story and being a visible advocate for the changes taking place.
- *Senior leaders.* Senior leaders most benefit a transformation when they act as mobilizers of both the message and the people in their organizations. For senior leaders to be successful, they must share aligned messages and provide transparent communication across the organization—on both the changes that will take place and the desired outcomes—and replace people on their teams who aren't committed to the changes.
- *Human-resources leaders.* Few survey respondents recognize heads of human resources as a critical player—apart from other senior leaders—in their transformations' outcomes. But in companies with the most successful transformations, HR leaders are best at connecting the high-level transformation objectives with employees' day-to-day work and communicating about this link to employees.
- *Leaders of program-management offices (PMOs) or transformation offices.* PMO leaders are most effective in a transformation when they act as problem solvers. They identify barriers to change in the organization and bring them to the attention of the organization's leadership, while also serving as thought partners to senior managers. They are also critical in disseminating transformation-related knowledge and best practices across the organization.
- *Initiative leaders.* The leaders of individual transformation initiatives need to be action owners. In the most successful transformations, these employees have clear ownership of their initiatives, work well with their peers leading other initiatives, and understand the significance of their specific work within the broader transformation effort.
- *Line managers.* Because line managers work so closely with the front line—whose involvement and buy-in is so important to a transformation's outcome—their most important role is that of motivator. They must make the transformation efforts tangible and digestible to the frontline employees whose work they manage. They also are critical in motivating their teams to adopt the changes at hand.
- *Change agents.* Change agents—that is, employees who dedicate significant time to working as facilitators or agents of the transformation—are most valuable to a transformation as role models for others throughout the organization. They contribute the most to success when they demonstrate the shifts in mind-sets and behaviors that the transformation requires and when they support employees in developing new capabilities and mind-sets essential for success.

Exhibit 6 Success is likelier when employees play their own unique roles.

Respondents reporting successful transformations,¹
by response to given statement, %

■ Agree ■ Disagree



¹The results shown here are the statements (out of 42 total, across roles) with the biggest differences in reported success rates between respondents who agreed or disagreed with each one.

²We define change agents as employees who spend part of their time as facilitators or agents of the transformation, but who are not part of an office.

share aligned messages about the change effort with the rest of the organization (Exhibit 6). The leaders of program-management offices have the greatest impact on success when they identify barriers to change and circulate knowledge, while the leaders of transformation initiatives are likeliest to make a difference when they take full ownership of their individual initiatives. And for line leaders, it's most important that they make the transformation tangible and digestible for their employees.

With respect to human-resources leaders, respondents report that their role is relatively small. Only 56 percent of respondents say this group was visibly engaged, compared with 85 percent who say so of other senior leaders. When HR leaders are involved, the odds for success are greatest when they communicate the connection between human-resources objectives and the transformation's—though their actions are perceived to have less of a bearing on success than the actions of other roles.

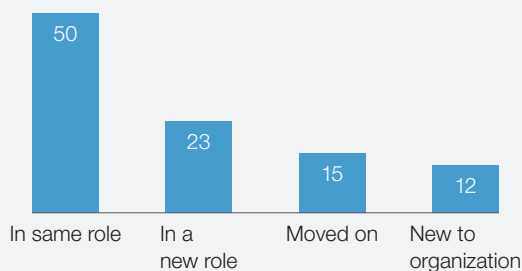
Change agents, in contrast, appear to have a notable impact on success. Less than half of respondents say their organizations select these employees, who dedicate a significant part of their time to work as facilitators or agents of the transformation. But those who do report overall success more often than other respondents—and are twice as likely to report success at transforming their organizational cultures. Change agents have the greatest impact on success when they model new mind-sets and behaviors for others (including the front line) to follow and when they support employees to develop the capabilities and mind-set changes they need to succeed in the new environment.

In addition to defining specific roles—and identifying how employees can contribute most to a transformation—companies also need to move people around and even out of the organization, though in moderation. Just one-quarter of respondents strongly agree that their senior leaders replace people on their teams who aren't personally committed to the changes being made. But when they do, the organization's transformation is much likelier to succeed. In organizations where senior leaders replace uncommitted people, 29 percent of transformations succeed, compared with 6 percent where leaders keep those people in place. Compared with transformations that fail to improve performance or culture, these successful transformations are also likelier to bring in new talent and move people internally, rather than moving them out (Exhibit 7).

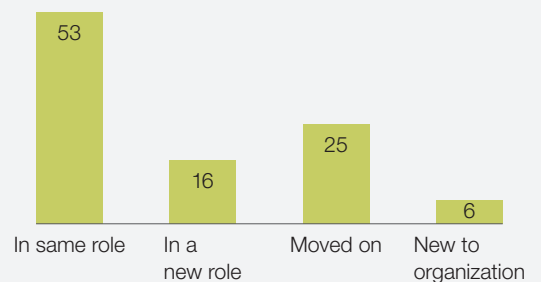
Exhibit 7 Successful transformations are likelier to move people around—in moderation—and bring in new talent.

Compared with beginning of transformation, what shares of your organization's senior leaders now fall into following categories?, %¹

Respondents reporting successful transformations² (n = 323)



Respondents reporting unsuccessful transformations³ (n = 88)



¹“Senior leaders” includes CEO and those in CEO – 1 and CEO – 2 roles. Respondents who answered “don’t know” are not shown.

²A successful transformation is one that, according to respondents, was very or completely successful at both improving organization’s performance and equipping organization for sustained, long-term performance.

³An unsuccessful transformation is one that, according to respondents, was not at all successful at both improving organization’s performance and equipping organization for sustained, long-term performance.

Looking ahead

In response to some of the challenges that the survey results revealed, here are a few steps that companies can take to support the success of their transformations:

- *Show—don't tell—progress to the front line.* When large companies embark on a transformation, there is a risk that frontline employees will see only the individual pain and not the aggregate gain. Communicating clearly and creatively in a way that stimulates dialogue around the transformation's ambition and progress further increases the chances of success. Techniques such as regular surveys taking the organization's cultural pulse, and progress parties celebrating a transformation's milestones, can help create a foundation for real dialogue between senior leaders and the front line on the transformation and the potential changes to be made.
- *Involve HR as a strategic partner.* Transformations have a significant impact on employees and therefore require active involvement from human resources. Yet respondents tend to perceive their HR leaders as less critical than other senior roles to the transformation's outcome. For this view to change, the HR leader must set up his or her function to position itself strategically at the center of the transformation, rather than playing a transactional role. This will allow HR to make full use of its expertise and contribute to the transformation in important ways, such as moving people around the organization—in moderation. One way for HR to add value in a transformation is by taking a clean-sheet approach to the organization's new, posttransformation design, then using strategic workforce-planning tactics (such as recruitment, talent development, and dismissal) to achieve that vision.
- *Engage employees through new channels.* The survey results suggest that reaching the front line is a greater-than-average challenge at larger companies. But companies of all sizes can benefit from creative, more digital approaches to engaging employees in a transformation. The use of social media, change-management apps or games, and live-feedback tools should support and complement the movement of information from the top to the rest of the organization, rather than replace traditional methods. Such approaches can do so by making communication more tailored and personal to individual employees (for example, sending personalized push notifications if a milestone has been reached) and by providing more regular updates on the state of the transformation. Employees can also use these tools to explore and engage with the changes being made, on their own terms and with the ability to provide feedback. More advanced communication tools will be especially helpful in large companies that struggle to engage the front line and in companies with many different sites or locations. ■

¹ The online survey was in the field from June 14 to June 24, 2016, and garnered responses from 1,657 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures. Of them, 1,487 have been part of at least one transformation in the past five years, at either their current or previous organizations. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

² We define a successful transformation—a large-scale effort to achieve substantial, sustainable changes in performance that are enabled by long-term shifts in employee mind-sets, behaviors, and capabilities—as one that successfully improved an organization's performance and equipped it for sustained, long-term performance. See "How to beat the transformation odds," April 2015, McKinsey.com.

³ The seven roles are chief executive, senior leaders, chief human-resources officer or head of human resources, leader of the program-management office or transformation office, leaders of transformation initiatives, line managers, and dedicated change agents.

⁴ That is, the transformation did not succeed at either improving the organization's performance or equipping it to sustain improvements over time.

⁵ At larger companies (those with annual revenues of \$1 billion or more), 15 percent of respondents report a successful transformation. At companies with annual revenues of less than \$1 billion, 23 percent of respondents report success.

⁶ "How to beat the transformation odds," April 2015, McKinsey.com.

⁷ In the previous survey, fielded in November 2014, an identical share of respondents (44 percent) also said they would move faster to counteract resistance from people who opposed the changes being made.

The contributors to the development and analysis of this survey include **Dana Maor**, a senior partner in McKinsey's Tel Aviv office; **Angelika Reich**, a partner in the Zurich office; and **Lara Yocarini**, an associate partner in the Paris office.

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