HUMANIZING BUSINESS TRANSFORMATION

Driving Greater Transformation
Success by Putting People First

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ıl NORTH HIGHLAND INSIGHTS

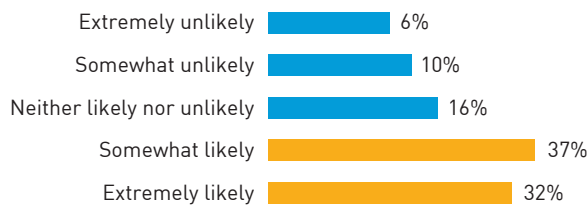Survey data that helps guide business decisions

Throughout this report are results from a
North Highland-sponsored survey conducted in
February 2017. More than 200 business leaders in
the US and UK were asked about their experiences
in business transformation. The results—presented
throughout this report—provide a state-of-the-state
in global business transformation, and make a case
for a people-first approach to transformation.

Today, business survival is increasingly dependent on an ability to evolve, adjust and transform. Constant, dynamic forces—economic, competitive, regulatory, consumer-driven and digital—are only increasing and accelerating. In some cases the stakes are extreme: A recent study shows that one in three companies will delist from the exchange on which they trade in the next five years, due to bankruptcy, liquidation, M&A or other causes.[1] That's six times the delisting rate of companies 40 years ago. But more commonplace, countless companies that are surviving or even thriving are still finding themselves forced to make major shifts to their business.

So it's no surprise that **69 percent of organizations say it is either extremely or somewhat likely they will tackle a large-scale business transformation within the next three years.[2]** And among those who transform, operational efficiency and innovation are the top two drivers. Resilience and adaptability have become mandatory for organizations to survive and thrive.
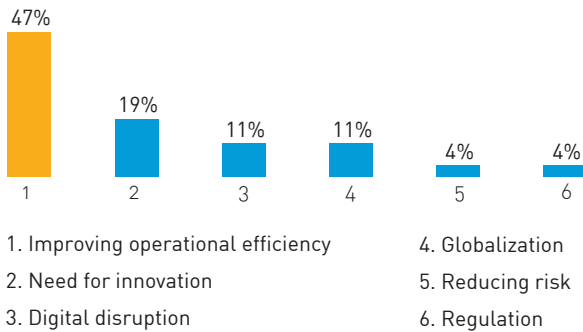
Yet even as transformation has become an acknowledged mandate for business success and survival, organizations of all sizes and types can struggle to make it stick. In fact, 44 percent of completed business transformations are deemed unsuccessful after three years,[3] and the majority of organizations place the failure rate of transformations within their industry between 20 and 39 percent.[2]

NORTH HIGHLAND INSIGHTS: How likely is it that your organization will tackle a large-scale transformation initiative in the next one to three years?

Extremely unlikely	6%
Somewhat unlikely	10%
Neither likely nor unlikely	16%
Somewhat likely	37%
Extremely likely	32%

NORTH HIGHLAND INSIGHTS: What is the approximate rate of failure for business transformations in your industry?

>80%	2%
70-79%	1%
60-69%	4%
50-59%	13%
40-49%	13%
30-39%	19%
20-29%	21%
10-19%	16%
1-9%	7%
0%	3%
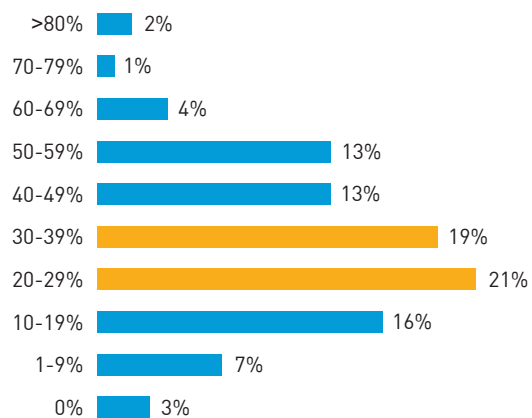
It's time to transform how we transform.

What is the biggest motivation for your business transformation efforts?

47%

19%

11%   11%

4%   4%

1   2   3   4   5   6

1. Improving operational efficiency
2. Need for innovation
3. Digital disruption

4. Globalization
5. Reducing risk
6. Regulation

For far too long, organizations have tended to approach business transformation from a purely numbers-based or operationally focused view. And while this point of view is still important, particularly since the majority of organizations cite improved operational efficiency as the goal of transformation efforts, this one-sided transformation of old doesn't work in our increasingly connected, consumer-driven world. It fails to account for a critical component of successful transformation: **humans, and their experience as recipients and activators of change.** From the C-suite to line employees and far-reaching stakeholders, the *experience of people* is a critical element of transformation success, and inadvertently, it is often the element most likely to be overlooked or deprioritized.

Organizations that get the human experience right, by strategically incorporating it into every facet and stage of the transformation process, will be powered by something greater than any disruptive force. They will have the power of the people who animate the organization, fully empowered to innovate, collaborate and generate sustained value, even in states of near-constant change.

We can't rely on an old approach to transformation to shape new, future-ready organizations. No matter how far technology may advance, the future is human, and organizations must transform faster and smarter by strategically empowering and **activating people to be at the heart and helm of change.**

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DEFINING AND DIRECTING:
What transformation *really* is and
where to apply it for the greatest impact

Transformation is an acknowledged mandate, yet the term itself is commonly misinterpreted or diluted in application by the very people responsible for effecting it. "Transformation" is often used to describe more finite, siloed initiatives that don't fundamentally change how an organization does business. For 40 percent of organizations, a "business transformation" was really just a series of glorified IT projects[4], often rebranded by internal stakeholders as transformation in an effort to gobble larger chunks of funding and interest.

Business transformation is not an IT implementation alone, though, and it isn't designed to achieve a singular functional outcome. North Highland defines business transformation as **wholesale change over multiple years, aimed at reinventing multiple aspects of the business to produce one or all of the following conditions:**

- The future state yields a measurably different result than the prior state.

- The change produces a condition in which it is impossible (or very difficult) to function in the prior way.

- The customer or client is fundamentally different, in type, nature or behavior.

- Interface with upstream suppliers (materials, labor, approvals) will utilize enabling practices or technologies that did not exist in the prior state.

- The skills or mindset required to execute in the future state are substantially changed from the prior state.

Beyond establishing a common definition, it is important to direct transformation efforts where they will have the most impact. These components of transformation— revenue models, operating models, stakeholder experience, technology and human capital—each deliver a specific outcome and are ideally transformed in concert to deliver on multiple objectives concurrently.

2. Operating Model:
A change in structure, accountabilities, processes and decision rights aimed at increasing efficiencies, cost reductions and improved delivery of products or services, and ways of working.

4. Technology:
The adoption of software or digital tactics that boost productivity and transform ways of working.

1. Revenue Model:
An entrance into new markets or new products/services designed to optimize revenue.

3. Stakeholder Experience:
Transformation of the value proposition delivered to the broadest range of customer, including everyone from employees, shareholders, partners and other stakeholders.
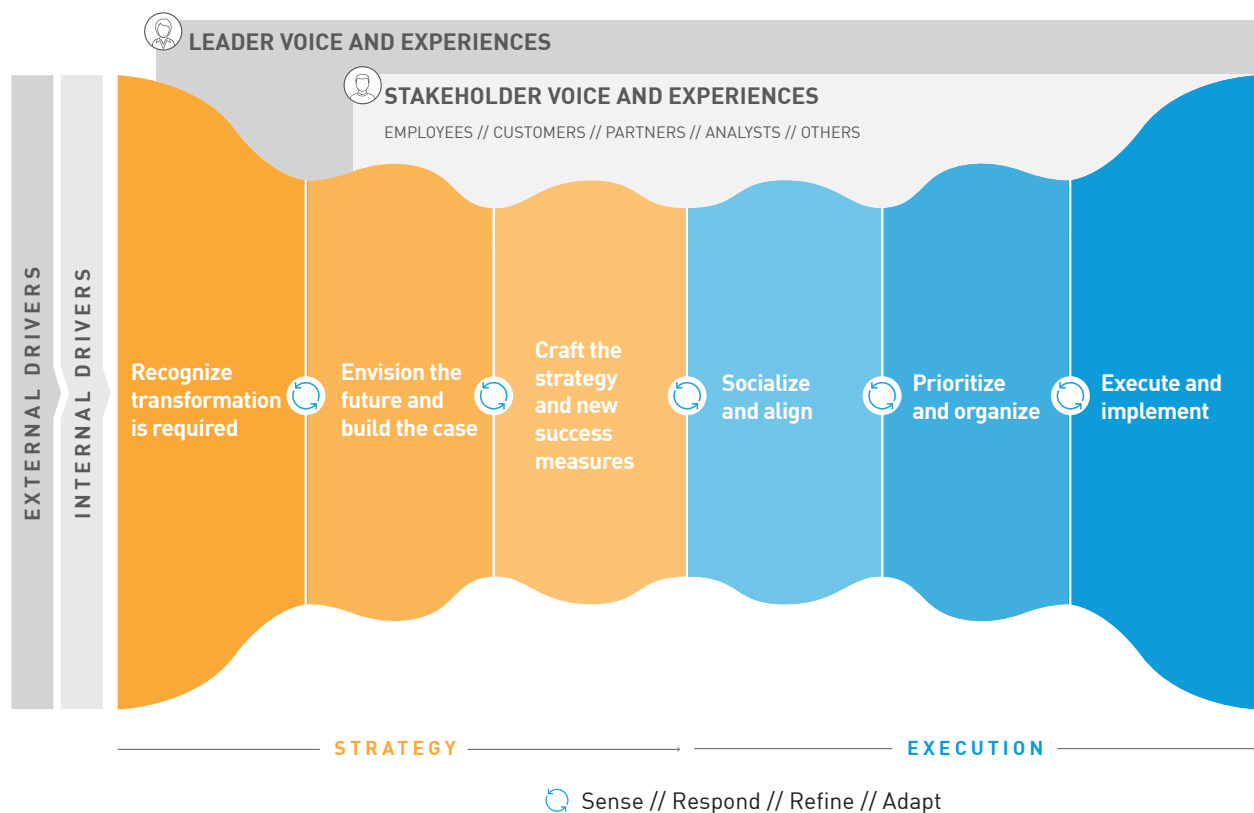
5. Human Capital:
The redefinition of core competencies and capabilities, coupled with strategies to recruit, retain and engage talent within a new definition of success.

Business Transformation Experience Model

No two transformations are the same. However, North Highland has designed an approach that ups the success rate of all business transformations by putting people first. The model starts with designing a leadership experience that most effectively empowers your leaders to inspire and engage employees. From there, the power of your most critical stakeholders is applied to drive the design of a strategy and measurement architecture; establish and manage program governance; and execute and implement new organizational structures, systems, tools and processes.

LEADER VOICE AND EXPERIENCES

STAKEHOLDER VOICE AND EXPERIENCES

EMPLOYEES // CUSTOMERS // PARTNERS // ANALYSTS // OTHERS

EXTERNAL DRIVERS

INTERNAL DRIVERS

Recognize transformation is required

Envision the future and build the case

Craft the strategy and new success measures

Socialize and align

Prioritize and organize

Execute and implement

STRATEGY   EXECUTION

Sense // Respond // Refine // Adapt

TRANSFORMATION'S CRITICAL FORCE:
The principles and activities that power your people

At the end of the day, transformation depends on people. The most critical people—your stakeholders— must be the foundation of transformation planning, strategy and execution. Transformation efforts must focus on not only the "what"—everything from an effective strategy and measurement architecture to program governance and the right portfolio of initiatives—but also on the "how." And in nearly all cases, the "how" requires stakeholder engagement, trust, empowerment and buy-in.
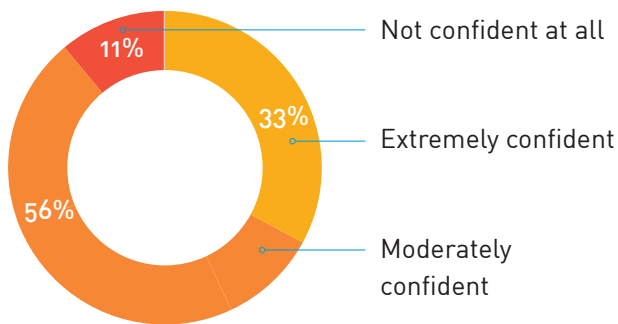
Here's why: **A "lack of buy-in at all levels of an organization" is cited as the most common roadblock to transformation success.**[2] Yet only 35 percent of transformation leaders are extremely confident in their organization's ability to motivate employees at an emotional level.[2]

NORTH HIGHLAND INSIGHTS:
What are the most common roadblocks to transformation in your organization?

Roadblock	Percentage
Lack of cultural buy-in at all levels of the organization	44%
Poor execution	38%
Poor planning	37%
Lack of leadership from the top	32%
Conflict between business transformation efforts and legacy business initiatives	32%
Inadequate resources or budget	29%
Weak technological infrastructure or systems	25%
Regulation or regulatory compliance	19%
Weak metrics or measures of success	17%
Unclear vision or future-state (post transformation)	17%
Inflexible or difficult resource allocation	17%
A poor track record of launching new ideas	5%

11%

33%

56%

Not confident at all

Extremely confident

Moderately confident

Solving this, the most significant and prevalent barrier to success, is how we transform transformation for the better. When strategically engaged, empowered and fully bought-in on change, stakeholders can be force multipliers that deliver increased value. Significantly, that value is not exclusive to a singular transformation: Engaged and loyal stakeholders create agile, nimble and resilient organizations that are culturally primed to transform as the market demands, even within the most challenging of circumstances.

Businesses have readily embraced customer experience (CX) design as an effective way to increase wallet share and customer brand loyalty. In transformation, the same effort and emphasis must be put into designing the experience of the people affected by change—everyone from top leadership and employees to customers and supply chain partners—to empower those stakeholders to drive sustainable value before, during and after a transformation.

A few fundamental principles are essential:

- **Expand your definition of "stakeholders."** Leadership and employees are typically your first, and often most significant, stakeholder group. True transformation, however, will radiate well beyond your internal stakeholders to affect shareholders, partners and customers. Dissect your ecosystem to clearly identify stakeholders near and far.

- **Then, get to know them intimately.** Understand and document their needs, their view from the road, their goals, fears and realities. Taking time to develop empathy for their experience and build their trust will prove invaluable as you plan and execute.

- **Use those insights to design a compelling experience.** Create an experience that helps stakeholders understand and find their own place and opportunity to have impact within the transformation.

- **Inspire them to do more.** Work with them to help them understand the "why" and to envision the "what." Give stakeholders a voice, and involve them in co-creating a future state that empowers and motivates them to drive value.

In reflecting on their most recent successful transformation, business leaders cite "clear roles and responsibilities for key transformation functions" as the most significant success factor.[2]

NORTH HIGHLAND INSIGHTS: Select up to four tactics/strategies you feel had the greatest impact in delivering a successful transformation:

Tactic/Strategy	Percentage
Clear roles and responsibilities	52%
Cross-functional, C-suite-level leadership	49%
The transformation was tied to a major corporate strategy	43%
Clear metrics and milestones that were readily shared and used to refine	37%
Frontline staff felt ownership and involvement in the strategy development and execution	35%
A compelling case for change that emotionally motivated key players	33%
Relevant and regular info sharing	29%
An accurate culture assessment, conducted prior to strategy development	18%
Formation of a dedicated team with success metrics different than the legacy business (separate P&L, separate management structure)	18%

THE POWER OF NEUROSCIENCE AND STORYTELLING

Neuroscience research offers some strategies into appealing to our emotional core. Our brain's emotional system—the limbic system—plays a significant role in how we store memories, make decisions and engage creatively. Studies tell us our default setting is to focus on threats or risks, and in fact, our brain scans the environment five times every second looking for risk.[1] But it also tells us that those efforts can be directed productively in the workplace, and that great performance comes from people who are deeply and intrinsically motivated.

This research also suggests that **people are fully capable of motivating and driving their own change, and that meaningful change doesn't happen until this occurs.**[1] The energy for this kind of change is rarely externally driven. Instead it must be an internal insight generated by and for each individual on their own terms. Those types of insights originate from unlocking the power of our subconscious, and that means they are completely unique to the individual. Your change is not my change is not your boss' change.

A successful business transformation effort must speak to both the emotion and to the intellect of change makers—the people across the organization who need to operate differently to deliver the desired results. Applying neuroscience-based approaches through storytelling to develop a powerful case for change is the first step in effectively activating your change makers, and establishing the foundation and motivational thread for a successful business transformation.

Three transformation activities bring these principles to life in a powerful way. **These activities aren't just a bottom-up approach instead of a top-down one: It is an approach that empowers leaders to drive strategic change by working with and through an organization's social system to effect positive change across it.**

1. Craft a case for change that speaks to both business and emotional reasons.

Humans are hard-wired to absorb stories, symbols and images. Effective written, spoken and visual stories are proven to connect disparate groups, rally even the most skeptical, provide order, and direct and motivate human action. Videos, long-form persuasive writing and simple photographs are all examples of storytelling tools. The right mix of tools and channels should be determined based on an understanding of the target audience and the intended effect. Amazon's Jeff Bezos' typical approach requires a six-page, evidence-based narrative to guide team meetings and efforts to create buy-in, because he believes it forces better thought and understanding. In contrast, Apple utilizes an almost image-exclusive storytelling strategy, which fits their culture and brand.

Whatever shape they take, stories with these common attributes will resonate with audiences on a human level when threaded consistently throughout transformation strategy development, planning and execution:

- **Purpose:** It establishes a powerful, positive sense of purpose behind the change, both emotionally and from a business case purview.

- **Risk:** The risk, both to the individual and the organization, of failing to change is highlighted.

- **Personalization:** There is room for interpretation, allowing employees and leaders to discover their own personally motivating calls to action.

- **Transparency:** Bright spots are highlighted, but potential challenges or stumbling blocks are also authentically acknowledged.

- **Action:** There is a clear path to success, and confidence is placed in the leadership, processes and tools/assets needed to get there.

- **Fluidity:** A story is not static. Its narrative, characters and key messages will change while remaining ever-grounded in the case for change and the path to success.

2. Co-create a transformation experience for leaders.

Effective leadership is cited as the second-most critical factor in transformation success.[2] But leaders are human, too. They need time to consider, process and invest themselves in the change, as individuals and as a team, before launching it to their employees. In fact, neuroscience research demonstrates that meaningful transformation isn't even possible until individual players are internally motivated to drive their own change.[5]

The traditional approach to transformation, which puts strategic development before leader engagement, *hopes* for behavior and mindset shifts with little effort put into guaranteeing it until transformation activities are well underway. A co-creation approach directly and preliminarily influences mindset and behavior changes, and incorporates valuable leadership input into strategy development.

Transformation efforts are more effective when they are implemented with and by leaders, not to them. Bring them in early, provide the business case for change, and then empower them to help co-create the future and their role in it. This is not simply involving leaders in key decisions; it is a completely new approach to strategy development and leadership engagement.

3. Design and deliver an experience that captures stakeholder buy-in.

Experience design doesn't replace the more traditional elements of transformation strategy or change management. It enhances them and helps solve for transformation's most significant and impactful failure point: stakeholder buy-in.

Effective experience design in transformation borrows from best practices in CX. A stakeholder journey map can help identify critical opportunities to engage and empower stakeholders, and connect engagement tools and activities across the stages of transformation. Empathy mapping can create eye-opening realization. Stakeholder profiles can serve as living guides for participating teams across multiple functions, such as HR, sales, communications and IT. From there, tools and tactics can be tested and refined to ensure better resonance with your various audiences.

Ultimately, designing for the stakeholder experience in transformation must go beyond journey maps and scenario plans. It's not a tactic so much as it is a strategic mindset. Creating a more human, fully optimal experience for your stakeholders should be a core objective of transformation strategy and a filter through which all transformation activities are planned and assessed.

X-FACTOR:
Engage, empower and help stakeholders buy in to transform transformation

The requirements of survival have changed. Businesses today must live in a near-constant state of change, not only to stay afloat, but in order to innovate and create competitive advantage. And while a traditional approach to transformation may deliver one-time change and short-term value, it fails to deliver the game-changing shifts required to move beyond mere survival.

People are the true X-factor, the critical and often missing link in sustained transformation success. By focusing as carefully on people as we do on products, systems and org charts, organizations can humanize transformation and create the kinds of cultural shifts that trigger movements, drive industry-leading customer experience, and foster an environment for ongoing innovation.

It's time to embrace a new normal. A humanized approach to transformation creates organizations that are more resilient, more adaptable and better able to enlist their most powerful asset in sensing and responding to change: their people.

1. "The Biology of Corporate Survival," Harvard Business Review, April 26, 2016

2. North Highland survey of 202 VP-level and above executives in US- and UK-based organizations with $1B or more in revenue, February 2017

3. Economist Intelligence Unit survey, sponsored by The Project Management Institute, March 2013

4. "The Transformation of Transformation," Source Global Research, December 2016

5. Gordon, E. et al. (2008), An "Integrative Neuroscience" platform: application to profiles of negativity and positivity bias, Journal of Integrative Neuroscience.

ABOUT OUR TRANSFORMATION SERVICES

North Highland leads organizations through transformation with strategies that are organic and flexible as circumstances and priorities inevitably shift. We dig in alongside client teams to fill gaps and get the work done while building internal capabilities as we go. To ensure success, we help bring people along on the change journey, enabling their culture, talent and infrastructure to evolve and adapt. North Highland was recently named as a "best-in-class provider" in change management by ALM Intelligence in its HR Technology Advisory Services (2016) report.

We integrate design thinking to plan, make and execute human experiences that cultivate growth for clients through our award-winning multidisciplinary experience design agency, Sparks Grove. We use insight, foresight, strategy, design and technology to transform businesses to more human-centered, purpose-driven organizations.

Our offerings include:

- Business Transformation
- Structural Transformation
- Legislative-Driven Transformation

ABOUT NORTH HIGHLAND

North Highland is a global management consulting firm known for helping clients solve their most complex challenges related to customer experience, performance improvement, technology and digital, and transformation. We add value and support our clients across the full spectrum of consulting, from strategy through delivery. We bring the big ideas, then we make them real. North Highland is an employee-owned firm, headquartered in Atlanta, Georgia, with more than 3,000 consultants worldwide and 60+ offices around the globe. The firm is a member of Cordence Worldwide (www.cordenceworldwide.com), a global management consulting alliance. For more information, visit northhighland. com and connect with us on LinkedIn, Twitter and Facebook.

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