

AVADO >

LEADING AT THE PACE OF CHANGE

HOW DISRUPTED ORGANIZATIONS
ADDRESS CULTURE AND CAPABILITY



TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
WHY TRANSFORMATION IS IMPORTANT	7
TRANSFORMATION ISN'T WORKING	7
AVADO'S TRANSFORMATION RESEARCH	9
EXECUTIVES PRIORITIZE INVESTMENTS IN TECH OVER PEOPLE	9
EMPLOYEES FEEL UNDERPREPARED AND WORRIED DURING TRANSFORMATION	11
TRANSFORMATION IMPACTS WOMEN MORE NEGATIVELY THAN MEN	13
TRAINING IS THE MISSING LINK FOR SUCCESSFUL TRANSFORMATIONS	14
THE SOLUTION: LEADING AT THE PACE OF CHANGE	17
THE PEOPLE QUOTIENT IS AS CRITICAL AS THE NEW PROPOSITION	17
ABOUT AVADO	19



EXECUTIVE SUMMARY

For years, leaders have been chasing the must-have technology that will future-proof their company — and, by extension, their jobs. First, it was the web, followed by general digital upgrades. Now, it's investment in cloud-driven data and artificial intelligence.

But after two decades of chasing the silver bullet, most company transformations are still failing at a rate of 84 percent.¹ As businesses move to a perpetual state of transformation, leaders need to become much more adept at successfully delivering change.

Investing in technology alone isn't enough. C-suite executives often think they're solving problems by investing in digital infrastructure, but our new research suggests that new technology is not being deployed effectively, because of a lack of attention to the people using it.

The American workers we surveyed revealed they don't have the level of confidence or competence they would expect coming out of reorganizations or transformations. Change at work is one of the most stressful things an employee can experience, but our research shows that workers are not being adequately supported by their leaders. They're confused and vulnerable. And, worse, many think they didn't receive sufficient training.

Women are more adversely affected by transformations. Compared to men, women more frequently report taking on new responsibilities without promotion and feeling underprepared for new roles after a reorganization.

The consequence of this failure to invest in people as well as technology isn't limited to a disconnect with their managers: Failed reorganization efforts can lead to a toxic work environment, further gender inequity, and employees who leave in pursuit of the career-enhancing skills that managers should have provided.

Executives need to lead at the pace of change. The only way to achieve that is by investing in re-skilling people as well as rebuilding business models and organizational structures.

AVADO has been helping senior leaders succeed at transformation by helping them re-skill their people at scale. We complement companies' technology expenses by marshaling the right investments into people, too.

We hope you will read this research and join us in placing people at the center of your transformation.



Niall McKinney
President

niall.mckinney@avadolearning.com



WHY TRANSFORMATION IS IMPORTANT

TRANSFORMATION ISN'T WORKING

Businesses are experiencing transformation all the time. As Klaus Schwab, the founder of the World Economic Forum, noted about what's been called the Fourth Industrial Revolution, "The changes are so profound that, from the perspective of human history, there has never been a time of greater promise or potential peril."

Facing layoffs, transfers, mergers and other challenging forces of change, companies worldwide are experiencing transformations. In the past few months alone, Sears, Macy's and SAP are among the many power players to have announced multiple plans to restructure.

In a world where online commerce rivals the revenue of traditional retail, companies' business models are constantly being asked to change. It's no wonder why business transformation is a top priority for leaders.

Transformation is important but often fails. With the omnipresent impact of automation, artificial intelligence and other job-threatening developments, companies have been willing to break the bank to invest in their futures. Businesses are spending nearly \$4 trillion on tech this year,² yet a staggering 84 percent of company transformations fail.

Reorganizations cause incredible stress for everyone involved. Why aren't reorganizations working? Staffers are overwhelmed and don't feel supported. Plus, workplace stress is more than just inconvenience; it's as unhealthy as secondhand smoke.³



\$4 trillion

is projected to be spent on tech this year²



of company transformations fail¹

Six job-related scenarios that could be caused by a company transformation rank among the 43 most stressful experiences. In extreme cases, one or more of these job situations ranked even higher than reconciling a marriage, pregnancy, a new family member, and the death of a close friend.⁴ No wonder people are stressed out by reorganization.

TOP WORK-RELATED EVENTS THAT RANK AMONG THE HOLMES-RAHE STRESS INVENTORY'S LIST OF 43 MOST STRESSFUL COMMON SCENARIOS

- 8 Being fired at work
- 10 Retirement from work
- 15 Major business readjustment
- 16 Major change in financial state
- 18 Changing to a different line of work
- 22 Major change in responsibilities at work (e.g. promotion, demotion)

Investing in people is the key to improving transformation. For reorganizations to work, the focus must shift to training the people, not just the technology.



AVADO'S TRANSFORMATION RESEARCH

EXECUTIVES ARE PRIORITIZING INVESTMENTS IN TECH OVER PEOPLE

We surveyed Americans about the state of the workplace – and they had a lot to say. In March of 2019, we polled 2,000 U.S. employees, including 350 C-suite leaders and 350 HR managers, to analyze how they feel about training methods, office culture and professional capabilities in an age of constant transformation. The results are worth a closer look because, despite the fact that leaders are aware that change is disruptive, the impact of that disruption on people is often underestimated.

Nearly half the employees surveyed endured a reorganization in the past five years. Interestingly, when it comes to C-suite executives, only 35 percent experienced a reorganization in the same span, suggesting not all executives are leading a transformation based on recent experience.

PERCENTAGE OF RESPONDENTS WHO HAVE EXPERIENCED A REORGANIZATION IN THE PAST FIVE YEARS



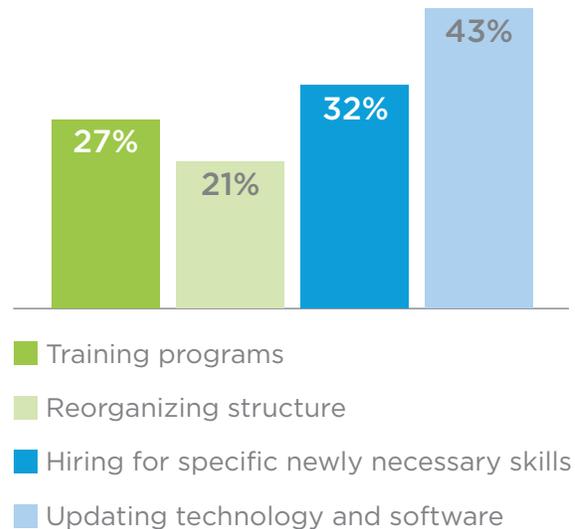
When it comes to leading change, only about 1 in 4 senior leaders prioritized training programs, compared to almost 1 in 2 who prioritized investing in tech. This shows the bias of senior leaders who believe that tech spending can be the silver bullet that future-proofs their businesses..

But without re-skilling the workforce to use new technology, these investments are likely to fail. Leaders need to spend more time and money on people, not just technology. HR professionals know this: They prioritize training over tech. HR leaders prioritized training over every other survey option: more than hiring, restructuring and tech. Far more HR advisors, effectively half of those surveyed, said training deserved that level of attention — and that their superiors hadn’t made it a priority during reorganization efforts. Only one-third strongly agreed that their managers provided adequate company-wide training for new skills.

HR EXECUTIVES AND HIRING MANAGERS SAY THESE AREAS NEED MORE ATTENTION IN THEIR COMPANY



C-SUITE EXECUTIVES SAY THESE AREAS NEED MORE ATTENTION IN THEIR COMPANY

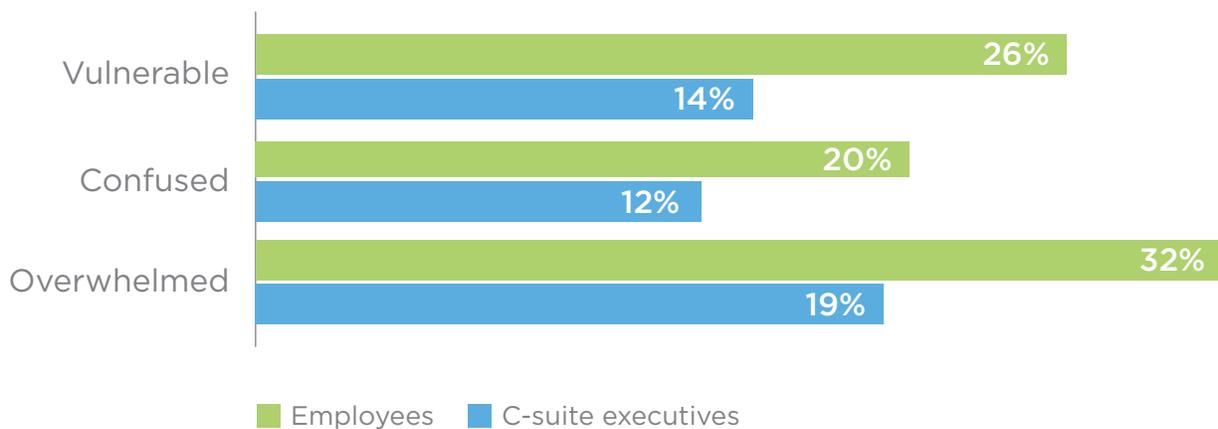


EMPLOYEES FEEL UNDERPREPARED AND WORRIED DURING TRANSFORMATION

Nearly one-third of surveyed employees were overwhelmed by a reorganization — far more often than their C-suite counterparts. Employees also more frequently reported feeling vulnerable during this kind of structural overhaul.

Nearly half the employees polled said they didn't feel fully skilled and tooled to succeed at their jobs. Keep in mind that's how employees felt survey-wide, even if they had completed training recently.

EMPLOYEES ARE MORE LIKELY TO FEEL NEGATIVE EMOTIONS DURING COMPANY REORGANIZATION



Wasted training opportunities, or the lack thereof, can lower morale. Almost half the surveyed employees didn't feel their managers prioritized training during reorganization, and nearly 60 percent didn't believe superiors delivered the required technology and tools to make training worthwhile. Those negative feelings can potentially lead to a loss of productivity and a toxic work environment.

Employee testimonials confirm that when it comes to training, many managers either don't know what they're doing or don't make it a higher priority.

"I am currently tasked with a project that I was never properly trained for, and I am suffering for it. There has been little to no effort to assist in training me."

"My manager wasn't clearly communicating what he wanted. Apparently, we are all supposed to be mind readers."

"My manager was so busy, he just sat me down at a computer, said 'Learn,' then left."

"More training and less of a 'throw them in the deep end' mentality would go a long way to improving the morale."

Even top leadership doesn't always evaluate training with superlative praise. Compared to other categories ranging from company organization to overall vision, training received among the fewest ratings of "excellent" and "very good" from C-suite and employees alike — suggesting professionals on every company level may agree that training could be better.

Internally driven training, even when paired with good intentions, doesn't work as well as it should. Nearly 2 of every 3 employees say their managers aren't very helpful providing necessary job skills. Maybe that's because, according to the surveyed employees, most managers aren't good listeners, don't convey messages clearly, and aren't open to feedback.

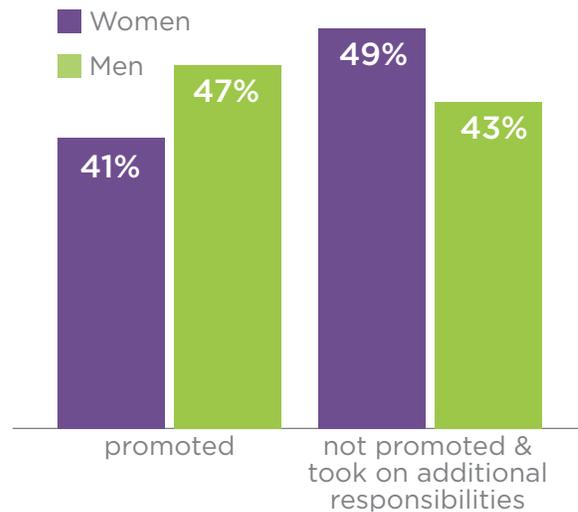


TRANSFORMATION IMPACTS WOMEN MORE NEGATIVELY THAN MEN

There's gender disparity during and after reorganization. Based on survey data, male employees were more likely to be promoted during a business' transitional phase, while comparable women were not only *not* promoted, but also reported to have been given additional responsibilities without promotion.

After a reorganization, women felt less prepared than men. While only 1 in 5 surveyed men said they didn't think they were properly prepared during reorganization, that number jumped to 1 in 3 among women.

EXTENT TO WHICH A REORGANIZATION AFFECTED EMPLOYEES' POSITIONS



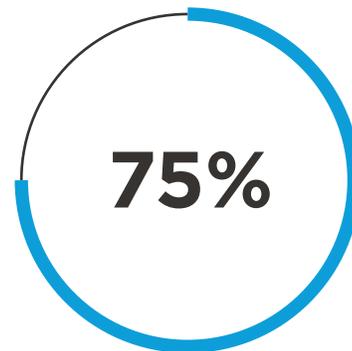
Based on 711 responses: all respondents who have experienced a reorganization in the last five years

EMPLOYEES WHO EXPERIENCED REORGANIZATION AND DIDN'T THINK THEY WERE PROPERLY PREPARED



TRAINING IS THE MISSING LINK FOR SUCCESSFUL TRANSFORMATIONS

Three out of every four surveyed employees wished they had additional training. Think about that for a moment: Three in 4 professionals feel like they don't fully feel skilled on the job, resulting in inefficient and frustrated employees who aren't maximizing productivity. On top of that, less than 40 percent of surveyed employees strongly agree that their companies provide adequate training. Regardless of how much upskilling is provided on the job, there may not be such a thing as too much training.



of employees wish they had more training

More than 40 percent hadn't experienced any job training in a full year. Compare that to the nearly 70 percent of surveyed C-suite leaders who had been trained that same year, that may explain why leadership doesn't see the training gap that's widening before their eyes.

Only 42 percent of surveyed leadership used digital courses to train employees. That's an anemic and troubling statistic, considering the global impact of technology is often the very reason for reorganization.

Millennials are among the fiercest advocates for more training. While leaders might assume their youngest staffers know what they're doing when it comes to tech, 75 percent of surveyed 18- to 30-year-olds craved additional training. That stat jumps to an alarming 82 percent for employees who are between 31 and 40 years old. Consider that all these employees — who would otherwise enter their professional prime — represent a company's best chance to thrive for generations to come.

Training might make the difference between retaining and losing a valued staffer. One in 4 surveyed employees threatened to leave their companies within two years if not properly trained to advance their careers. Added one professional, "I think my manager needs to be replaced with someone who is open to ensuring all employees are getting the appropriate training they need to succeed."





“I think my manager needs to be replaced with someone who is open to ensuring all employees are getting the appropriate training they need to succeed.”



THE SOLUTION: LEADING AT THE PACE OF CHANGE

THE PEOPLE QUOTIENT IS AS CRITICAL AS THE NEW PROPOSITION

Addressing the real task of business transformation is often a crippling and daunting task, and understandably tougher for larger enterprises. There are emerging conventions in the approach you can take — often starting with building consensus and capability in leadership.

Inspiring and aligning the leaders who will drive change makes business sense and serves as a critical first step. In our experience of working with leading global organizations, there are essential building blocks for creating the right mindset:

- Understanding digital disruption
- Addressing customer centricity
- Adapting to new channels to market
- Unlocking data-driven opportunities
- Embracing design thinking, agility and new ways of working
- Building effective digital culture

Gaining a firm grasp of these powerful tools empowers leaders to recalibrate their existing business strengths. In the process, leaders can identify ways to develop new propositions, create opportunities and build organizational capability to gain advantage in the face of persistent change and technological disruption.

After all, leaders are human, too. Transformations are often a time of mixed emotions for C-suite, combining excitement with the pressure to embody enthusiasm for new opportunities, while shouldering the fear and uncertainty of change. Investing time in strengthening C-suite capabilities is essential for clarity in defining and communicating opportunities — some of which may exist in new paradigms — while confidently leading teams through new complexities and inevitable changes in culture.

Digital transformation often implies development of new propositions, and the consequent investment in new technology and tools to enable the business. This usually means a need for new skills, new business processes, and an evolution in culture. For those leaders who are in the middle of this process, there's an acknowledgment that this cannot be solved by hiring talent or replacing the workforce — and, too often, the ignored outcome from digital transformation is the essential investment in people.

If we take a purely financial view, replacing employees is commonly more costly. Experience dictates that Separation, Recruitment and Productivity costs, in combination, make replacement strategies both costly and problematic. As a consequence problems are often exacerbated, ranging from negative impact on internal culture to poor external reputation.

The people component of digital transformation is perhaps as important as new propositions. Businesses do not run themselves, and changing course for a large organization takes cultural alignment, coordinated effort and the right capability.

Balancing insights from our study with shared experiences from the world of digital transformation reinforces mandates for reskilling. Maximizing the cultural and competency-value of existing employees can make the difference between success and failure when it comes to digital transformation. Change is hard — often harder than leaders anticipate — and to realize the true value of investment in transformative technology, you must invest in people.



ABOUT AVADO

AVADO is a change agent at the forefront of a global need for transformation.

As a global EdTech company with six international offices providing expert training in more than 60 countries, AVADO delivers its industry-leading platform as well as in-person programs through its international network of expert facilitators.

With clients that include Citi, Merck, CNN and Dentsu Aegis, AVADO offers a diverse portfolio of programs that build professional skills, enhance digital culture and increase capability in a wide variety of fields, including digital business, marketing, human resources, finance and data.

AVADO programs combine award-winning educational-design expertise with industry-leading content, experts and partners such as Google, Tableau and CIPD. AVADO's world-class platforms offer a unique learner experience that drives measurable success on a global scale. With more than 30 years of experience providing solutions, AVADO's specialized approach means organizational transformation has never been more achievable.

1 Forbes, Jan 7, 2016 | <https://www.forbes.com/sites/brucerogers/2016/01/07/why-84-of-companies-fail-at-digital-transformation/#34907568397b>

2 CNBC, April 8, 2019 | <https://www.cnbc.com/2019/04/08/4-trillion-in-tech-spending-in-2019-heres-where-the-money-is-going.html>

3 Harvard Business School and Stanford University study, 2017 | <https://behavioralpolicy.org/articles/workplace-stressors-health-outcomes-health-policy-for-the-workplace/>

4 Stress.org | <https://www.stress.org/wp-content/uploads/2019/04/stress-inventory-1.pdf>





AVADO LEARNING

www.avadolearning.com

hello@avadolearning.com

LEADING AT THE PACE OF CHANGE

How Disrupted Organizations Address
Culture and Capability

AVADO

Niall McKinney | President

Nick New | EVP Growth

Chris Serico | Writer & Editor

Lisa Viet | Marketing Director

Kristen Natale | Graphic Designer

