**INSIDE OUT PODCAST**

**NEW SERIES: THE SCIENCE BEHIND SUCCESS**

**EPISODE 1: ORGANIZATIONAL TRANSFORMATION**

Welcome to the next series of the INSIDE OUT podcast. I’m calling this series “The Science Behind Success.” I decided to do this one because most of us, including myself, tend to follow anything but science. We’re quick to give our opinions, we’ll trust our gut instincts, we’ll even believe what we read on Facebook, but rarely do we search for the facts behind our beliefs. We may say “follow the science,” but how many of us take the time to actually check the science.

As an example, I have always believed that organizations that investing in change, almost for the sake of change itself, will perform better. To me, transformation has always been a very positive concept. I’ve often spoken very confidently that organizations that choose to transform themselves will be better organizations, as if I’m the expert on organizational success. Well, I’m not. I may speak confidently based on my personal experiences about how I’ve witnessed the positive improvements that transformation can bring about in an organization, but I don’t really know the science to back up what I’m saying, or is there even any science?

So, I thought maybe finding the science on what determines organizational success, if it exists, would be something worth doing. Thus, we start today. As this series about the science behind success unfolds I hope you find it worthwhile, and for me, I hope to find the science to back up what I’ve been saying for a long time. So, let’s begin with the science of organizational transformation.

In a 2021 article by McKinsey and Company, there is some interesting results from the latest McKinsey Global Survey. McKinsey and Company has been doing research on organizational transformation for almost two decades, and the information presented in their 2021 article may cause us to think for a minute. The survey content and analysis in this article were developed by Michael Bucy, a senior partner in McKinsey’s Charlotte office; Bill Schaninger, a senior partner in the Philadelphia office; Kate VanAkin, a senior expert in the London office; and Brooke Weddle, a partner in the Washington, DC, office, with contributions from others.

McKinsey and Company has demonstrated for years that a comprehensive approach to organizational transformation is more conducive to lasting change, but less than one third of their global survey respondents—all of whom had been part of a transformation in the past five years—say their companies’ transformations have been successful at both improving organizational performance and sustaining those improvements over time. Why less than one third? In McKinsey’s recent research, they decided to examine the different stages of a transformation’s life cycle to understand where value is lost and what companies can do to preserve it. And according to the article, there are 3 core actions of a transformation that are especially predictive of value capture—and the companies with successful transformations are more likely than the rest to pursue the specific tactics that support these core actions.

Let me pause here for a second….before I share some of the really interesting results that are presented and discussed in the McKinsey article, I recommend that if you’re truly interested in learning more about this in detail, please go read the article. Just google “Losing from day one: Why even successful transformations fall short” by Mckinsey and Company. The article has so much more science that I can possibly present in today’s podcast.

Anyway, back to some of the article’s highlights. First, their research confirms that there are no short cuts to success. What does that mean? According to McKinsey, the main difference between success and failure was not whether an organization followed a specific set of actions, but rather how many actions an organization takes throughout its transformation’s life cycle. Whoa, that’s interesting isn’t it. Simply put what they’re saying is that transformation success relies on a comprehensive approach and is more likely to be achieved when organizations take a greater number of actions.

The second fascinating finding of this article is that while no single action or group of actions defines transformation success, McKinsey’s analysis shows that there are 3 actions that are positive indicators for transformations capturing the most value, and these 3 should be prioritized from the start. Got your attention? Here are the 3:

1. **Completing a comprehensive, fact-based assessment of the organization to identify opportunities for improvement.** The more thoroughly that an organization uses facts to assess the maximum benefit it can achieve from a transformation in the first place. Now think about your own agency, how often does your agency rely on a fact-based assessment? I wish I had known this bit of science when I was an agency director, because there were so many times that we relied on instincts and not facts. So, to Mckinsey’s point start with the facts. Mckinsey goes on to state that an equal part of identifying opportunities for improvement is setting a clear target for the overall transformation as it sets the tone for the whole program and what’s possible. Here’s an interesting side note of their study: if companies set high expectations, people tend to meet them. In an in-depth review of 15 transformations, Mckinsey found that organizations on average deliver 2.7 times more value than their senior executives thought possible when the transformations began. 2.7 times more value than what executive leaders thought possible. This point reinforces an experience I had as an agency director. At the time I was also working on my doctorate in rehabilitation and in one of my meetings with my major professor, Dr. Dave Martin, whom I adored, I was commiserating with him about what I viewed as a lack of talent in my agency. Then he said something that was life-changing for me – he said “how can you know what talent your staff has if you don’t give them the opportunity to demonstrate it.” 2.7 times more value than leadership thinks possible. The second action that McKinsey found as an indicator of success is this…
2. **Adapting goals for employees at all levels.** It’s not enough to set effective and ambitious aspirations for the transformation. People need to understand what these goals mean for their day-to-day jobs and what they will be expected to do differently; if they don’t know how they connect to the transformation, their behaviors and how work gets done won’t change. Again, let’s think about VR agencies. I can’t count the number of agencies I’ve seen that invest a great deal of time and energy into creating a beautiful strategic plan – I mean literally a plan that looks beautiful on paper! But how many of these agencies invest the same amount of time in making sure that every employee understands what the plan means for each one of them personally, what the agency’s expectations are of them, and what changes this will mean for them. According to McKinsey, making an organizational transformation’s goals tangible for all employees takes more than just one-way communication. Their survey results show that the most successful organizations are more likely to involve employees and engage them in face-to-face communication. Specifically, the results showed a greater likelihood of success with employee engagements such as frontline manager briefings, leadership townhalls, and a cascade of other types of face-to-face communication throughout the organization. On the other hand, communication by email has the opposite effect, email communication actually diminishes transformational success. I have to share with you again that as I do this podcast, I do regret all the things that I did wrong as an agency director. You’re never too old to learn. Moving on, according to McKinsey, the third positive indicator of transformational success is…
3. **Allocating high performers to the highest-value initiatives.** According to their survey, the organizational transformations that come close to realizing their full benefit are more likely than others to match their best talent to their most important initiatives. This further emphasizes the importance of linking organizational goals and people’s talent - who in the organization has the experience and skills to deliver the best value. For me, this one hits the hardest, but it also I think offers a fresh perspective on how we could do things better in a VR agency. I know that as an agency director I did this, and I’m sure that other agencies do this as well – we tend to assign transformational responsibilities based on job title and the organizational chart rather than on individual talent. As an example, if an agency is wanting to implement a major new service initiative, how often is it given to the VR director, or a VR regional manager, whether he or she really has the best talent to do it. I know I made that mistake time and time again. Just imagine how different it might be if agencies actually went through the process of first assessing who in the agency had the best talent to accomplish the task rather than assigning it based on organizational structure. Do you think this is what the 100-year-old legacy of vocational rehabilitation is so difficult to transform – that we continue to do the same things over and over because that’s how we learned it? Remember not too long ago when “thinking outside of the box” was a trend. But doesn’t that require somebody to actually think differently than they ever have – wouldn’t it be easier to find the person who already thinks differently than we do if we want a different outcome?

Another result that McKinsey’s research shows that is associated with this third indicator of success is that the burden placed on high performers can be too high. You know it as well as I do, most VR agencies continue to assign major strategic initiatives to their key people, especially key leaders and managers, regardless of all of their other duties. Rather than overloading high performers with too many initiatives, organizations should keep these individuals focused on the biggest, and often highest-profile, initiatives that are most valuable to the organization. Another reason for VR agencies to begin seriously thinking about issues like workload – maybe even more important than job title and organizational structure.

In summary, the McKinsey survey results indicate that organizational transformation efforts remain stuck. The 30 percent success rate hasn’t budged after many years of research, and according to McKinsey, even successful transformations still leave value on the table. In a period of such prolonged and dramatic change in business, the economy, and the world at large, these newest results suggest that it’s time for organizations to treat transformations as more than just a side project or discrete event and use them as opportunities to fundamentally change how they operate at their core. When an organization frees up its bandwidth from other initiatives and focuses its resources and energy solely on a transformation, then it’s possible to take the truly holistic approach that success requires.

Enough of the McKinsey research, what does this mean for VR? Allow me to share a couple of my thoughts with you. First, to the last point of the McKinsey study regarding a holistic approach to transformation, I believe that there are in fact a lot of VR agencies that are interested in transforming a particular part of the agency, whether it’s a service, or a program, or a department – but I don’t know of many, if any, VR agencies that are truly interested in transforming the entire agency and how they operate at the core. My feeling is that that is unfortunate for our profession. I am concerned about the future of VR, not because there’s not a need, but because I don’t see us creating what our future could be – generally, I still see us managing and reacting to the current challenges, mandates, and budget concerns.

My second comment is somewhat contradictive of my first comment. The old guard in VR is changing, and I do believe in the future generation of leaders in VR – in fact I’ve met some and I’m impressed. I think one of the biggest challenges the new crop of leaders faces is how to breakaway from the past legacy of how we think in VR. We tend to lead based on the leaders we followed, and thus the challenge. Who’s to say whether the leaders we followed were good? I know in hindsight that I made a ton of mistakes as an agency director to the point that I know what I should have done differently. So, my advice to the new generation of VR leaders, please don’t just do what those before you did, look to the science instead. The real potential to truly transform VR, all of VR, is your opportunity; and there is great science, such as the McKinsey research, to help inspire you and guide you.

And with that, I’ll close today’s episode. I hope you found some value in it, regardless of your position. Again, if you’re I encourage to find the entire McKinsey article for your own read. I also hope you find this idea of the science behind success as an interesting podcast series and will join me for the next episode in a month.

I am Greg Schmieg the CEO of Schmieg Consulting, and if you’re you can learn more about me and my company at [www.schmiegconsulting.org](http://www.schmiegconsulting.org). More science ahead! Have a great day and we’ll talk soon. Bye for now.