IBM Institute for Business Value

Making change work
…while the work keeps changing

How Change Architects lead and manage organizational change

Enable enterprise change capability and effective organizational transformation

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By *Hans-Henrik Jorgensen, Oliver Bruehl and Neele Franke*

The gap between the magnitude of change

and the ability of organizations to manage it continues to widen. A number of factors are creating challenges that require organizations to act beyond the boundaries of their experiences. How are organizations coping with these massive changes? Are they enabling change leaders, engaging employees in conversations about change or creating a culture that facilitates change across the organization? Are there organizations that stand out in reducing—or at least maintaining—the gap between the pace and volume of change and the development of change management capabilities? IBM's latest Making Change Work study, which surveyed almost 1,400 individuals responsible for designing, creating or implementing change across their respective organizations, answers these questions and identifies a select group of companies—Change Architects—that have found the keys to making change work while the work keeps changing.

Only **20%** of respondents are considered **successful** in managing change.

87% of respondents state that **not enough focus** is placed on managing change in critical projects.

Only **40%** of respondents believe they have the **right skills** in place to successfully manage change projects in the future.

Only **49%** of organizations hold their **leaders accountable** for effectively managing change.

The work keeps changing

"We cannot solve our problems with the same thinking we used when we created them."
Albert Einstein[1]

Disruption has become every organization's constant companion. Rapidly evolving technology, an ever-growing mountain of data and the increasing need for global integration make it difficult for even the most forward-thinking companies to keep up with increasing change. Yet, the ability to anticipate, manage and capitalize on pervasive change is often the difference between market leadership and extinction. History is full of lessons from companies that had to completely revamp the way they compete to remain viable.

For example, one iconic U.S. publishing company emerged from bankruptcy after realizing consumers had the desire to see their favorite heroes on the big screen. The company began using its publications as test beds for stories and characters that could be adapted into movies and digital entertainment. In accomplishing a remarkable turnaround, this company surrounded itself with the brightest talent it could find. It incorporated a transformation program that began at the Board level and was driven through every level of the organization. Today, after recovering from a near-death experience, the company's offerings are in high demand by numerous successful movie producers. On the other side of the equation, there are all-too-many examples of organizations that tumbled from the top of their industries because of their inability to both recognize and manage sweeping change.[2]

What is the difference between those companies that successfully manage change and those that fail? How do companies differentiate themselves—and even thrive—in an environment where the work keeps changing? To find out, IBM conducted the latest Making Change Work study, which examines how organizations manage change in this new, disruptive environment. This report builds on the first Making Change Work research findings, published in 2008, in which we noted that companies no longer have the luxury of expecting day-to-day operations to fall into a static or predictable pattern interrupted only occasionally by short bursts of change. Instead, we wrote, constant change would become the new normal.[3]

Today, we find the pace and magnitude of change have accelerated beyond even our expectations. Disruption penetrates every aspect of business. Take, for example, the way the competitive landscape has changed. In the past, industries were disrupted when rivals swooped in to attack large pieces of the value chain. Now, however, more than two-in-five CEOs expect their next competitive threat to come from organizations *outside* their industries. These new competitors aren't just set to steal market share; they are turning whole industries upside down.[4] For many organizations, this will require rethinking organizational design and processes, as well as a change in the mindset of individuals within the enterprise.

And CEOs in just about every industry have learned that collaboration is often the key to constant reinvention. Customers, partners and employees that collaborate can go further, faster in an era of rapid and continuous innovation.[5] Some are pushing the boundaries of their organizations as a result—opening up to empower collaboration among individuals, and moving away from command-and-control hierarchies.[6] Next-generation employees (Millennials) are already there. Digital collaboration, flexibility and creativity are part of their DNA.[7]

However, most companies have not yet enabled employees to step into this new age of collaborative delivery. In our study, 74 percent of respondents said that individuals in their organization are not fully prepared to adapt to an increasingly digital work environment, either online or offline. At the same time, for 88 percent, a major focus over the next five years will be to leverage new technologies that make organizations more customer centric. This poses a significant disconnect between the desire of leaders to embrace technology and their organizations' ability to follow suit.

Above all, however, it is how organizations interact with customers that is most critical, and the methods and media for doing so are growing more complex. Fueled by technology, both business customers and consumers are no longer just part of the conversation; they are driving the relationship and increasingly demanding seamless experiences across multiple channels of engagement. And they are quick to change loyalties if they find an organization that can better meet their needs.[8]

The integration and rapid deployment of technology, such as advanced analytics, cloud and cognitive computing, need to be a critical focus for organizations to design customer-focused business agendas. To do so, organizations will need to align client-facing and internal business functions across the organization to outperform in an era characterized by transparency. Seventy-seven percent of organizations confirm that a major objective over the next five years will be to further integrate processes and technologies on a global scale.

This integration means massive changes and realignment within the C-suite itself. C-suite level executives must closely examine how they and their teams interface with each other. For example, Marketing and IT will need to collaborate as a part of the digital front office. Supply Chain, Marketing and IT will have to work together for omni-channel transformation. HR, Finance and virtually all operations will need to partner with IT to capitalize on cloud solutions.

As companies move toward a more collaborative infrastructure, the focus and importance of change management capabilities are expected to shift significantly from traditional IT implementations to those that are more business-driven. For example, over the past five years, organizations looked to enterprise transformation, as well as ERP and other IT system implementations as the top three transformative initiatives.
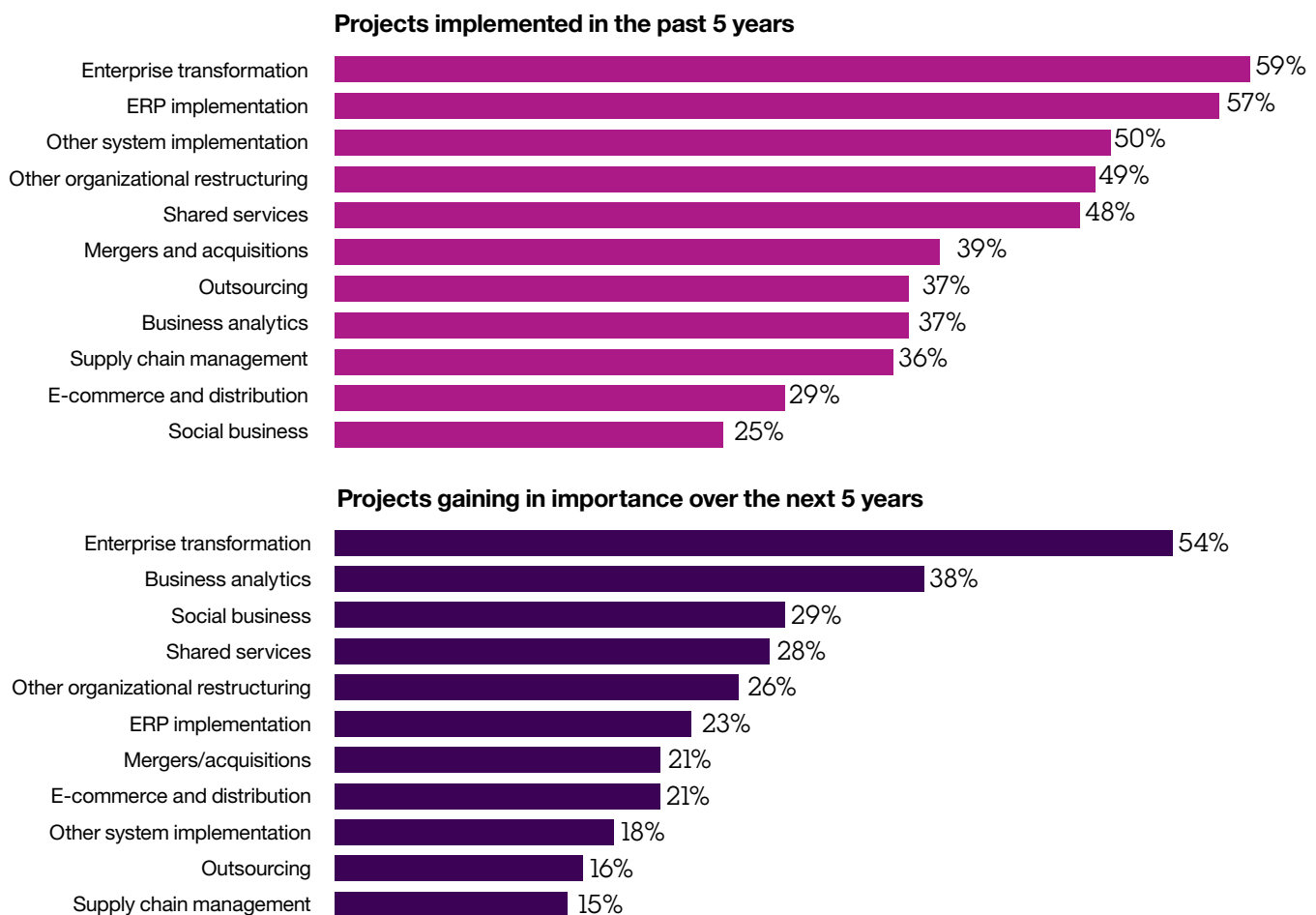
Projects implemented in the past 5 years

Category	Percentage
Enterprise transformation	59%
ERP implementation	57%
Other system implementation	50%
Other organizational restructuring	49%
Shared services	48%
Mergers and acquisitions	39%
Outsourcing	37%
Business analytics	37%
Supply chain management	36%
E-commerce and distribution	29%
Social business	25%

Projects gaining in importance over the next 5 years

Category	Percentage
Enterprise transformation	54%
Business analytics	38%
Social business	29%
Shared services	28%
Other organizational restructuring	26%
ERP implementation	23%
Mergers/acquisitions	21%
E-commerce and distribution	21%
Other system implementation	18%
Outsourcing	16%
Supply chain management	15%

Figure 1: Enterprise transformation remains a high priority, but business analytics and social business are expected to gain importance over the next five years.

Source: IBM Organization Change Management.

When respondents were asked to select the projects they expect to gain in importance over the next five years, enterprise transformation still topped the list (see Figure 1). However, business analytics and social business were next in line.

How do successful organizations manage the inescapable challenges of change? And are there those that adapt quickly and manage to contain the gap between the pace and magnitude of change and their capability to manage it? If so, how do these companies create and implement successful projects in a dynamic, competitive environment, driven by a global marketplace, demanding customers, evolving technology and an ever-growing mountain of data?

Study methodology

To find out how organizations perceive the challenges of change in today's business climate, as well as identify those organizations that have developed the capabilities to stay apace of change, the IBM Organization Change Management Practice and the IBM Institute for Business Value conducted the second Making Change Work study. Between September 2013 and February 2014, 1,390 interviews and online surveys were completed. Respondents represented 48 countries, more than 20 industries, and individuals responsible for designing, creating or implementing change across their respective organizations (see Figure 2).

Introducing Change Architects

Our study of almost 1,400 professionals reveals how organizations—particularly outperformers—make change work in today's business environment. Although companies have increased their change management capabilities over the years, the pace of change keeps widening the gap between need and capability. In our study, we consider only the top 20 percent of organizations to be highly successful in this regard. We call these organizations "Change Architects." They indicated that at least 75 percent of their projects were a complete success—that is, a minimum of three-in-four projects met all predefined goals (see Figure 3).[9] Among lesser-performing companies, 35 percent can be considered moderately successful. All others—45 percent of respondents—represent organizations with below average success.
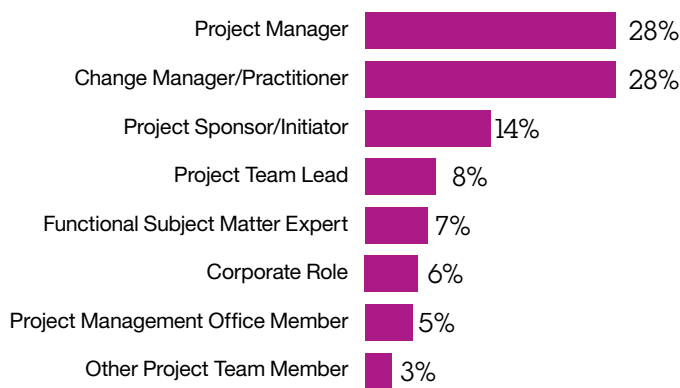
Roles

Role	%
Project Manager	28%
Change Manager/Practitioner	28%
Project Sponsor/Initiator	14%
Project Team Lead	8%
Functional Subject Matter Expert	7%
Corporate Role	6%
Project Management Office Member	5%
Other Project Team Member	3%

Figure 2: The latest Making Change Work study is based on an analysis of 1,390 responses from 48 countries and more than 20 industries.

Note: Numbers may not sum up to 100 percent due to rounding.
Source: IBM Organization Change Management.

Based on your experience, please evaluate the average success rate of projects in your organization

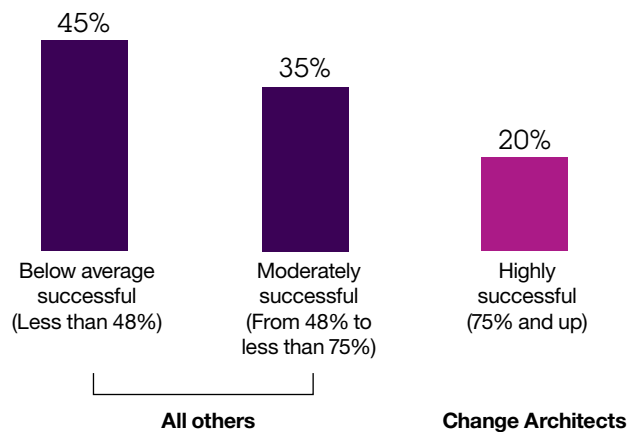|	All others		Change Architects
	Below average successful (Less than 48%)	Moderately successful (From 48% to less than 75%)	Highly successful (75% and up)
	45%	35%	20%

Figure 3: Change Architects consistently drive successful project results, often surpassing their lesser-performing peers by a considerable margin.

Source: IBM Organization Change Management.

Change Architects are positioning themselves to capitalize on the vortex of change permeating every aspect of business. They are more effective at dynamically managing projects. Compared to our survey average, Change Architects have at least 56 percent more projects that were a complete success. To accomplish this, they often place themselves in a state of continuous transformation. These Change Architects are designing the models that others must master if they wish to remain competitive in an ever-more-complex environment.

In this report, we will look at what Change Architects do differently in making change work in their organizations. From the analysis of our survey responses, we found that

Change Architects embrace three critical imperatives that enable them to be change-effective. They

• **Lead at all levels,**
• **Make change matter, and**
• **Build the muscle.**

Becoming a Change Architect requires the enterprise-wide integration of the three building blocks of managing change. In essence, it is the ability to respond to rapid and voluminous change that must be injected into the corporate culture. In the following pages, we look at how Change Architects address these building blocks and provide a roadmap for others to follow.

Three building blocks for becoming a Change Architect

Lead at all levels

Make change matter

Build the muscle

"You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

Richard Buckminster Fuller, "Operating Manual for Spaceship Earth"[10]

Lead at all levels

Change is the one constant every organization must face. Yet, at the same time, it is something that few organizations manage successfully. Our research clearly shows a major reason for this is that most enterprises do not cultivate a change-centric culture. Driving successful change starts from the top and includes the entire organization—top management sponsorship, middle management empowerment and an overall corporate culture that promotes change at every level of the organization (see Figure 4).

Most important aspects of successful change

Aspect	%
Top management sponsorship	83%
A shared vision	64%
Corporate culture that motivates and promotes change	57%
Honest and timely communication	53%
Ownership of change by middle management	51%
Employee involvement	46%
Change agents (pioneers of change)	39%
Efficient structure and roles within organization	27%
Skill-set of project team	24%
Efficient training programs	18%
Adjustment of performance measures	14%
Monetary and non-monetary incentives	9%
Focus on project management tasks	7%
Regular status reports to management	6%

■ Hard factors
■ Soft factors

Figure 4: Organizations view top management sponsorship as the single most important aspect for successful change.

Source: IBM Organization Change Management.

Becoming a Change Architect constitutes a major organiza-tional change itself—it requires leading a shift in mindset and behaviors of the whole organization. Analysis of study findings revealed three key characteristics that enable leaders to drive change across the organization (see Figure 5):

1. Role modeling throughout the organization
2. Engage employees with a compelling case for change
3. Empower new and passionate change leaders at all organizational levels.

1. Role modeling throughout the organization

Enabling top management to act as change leaders is a fundamental requirement for project success, as stated by 73 percent of our respondents. These leaders must act as role models, setting a credible and meaningful example of what is expected of others in leading, managing and embracing successful change.

However, only 66 percent of respondents state that their top management is enabled to act as change leaders. For Change Architects, that number jumps to 77 percent (see Figure 6). An even more significant gap exists in the enablement of middle managers as change leaders. They are the critical differentia-tors on the front line, responsible for creating a mindset of change in every level of the enterprise. While the C-suite sets the strategy, it is middle management that must facilitate action. Yet, not even half of our respondents state that middle management is enabled to drive change. Even among Change Architects, only 62 percent do so.

Most effective means of changing attitudes and behaviors

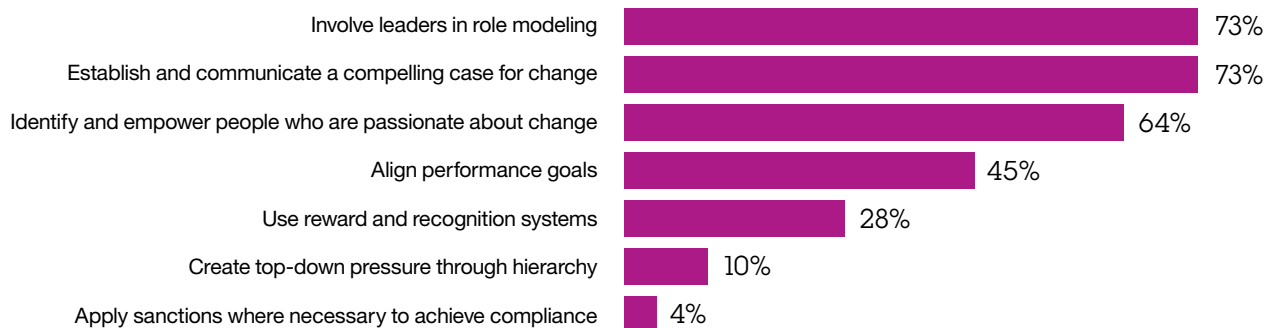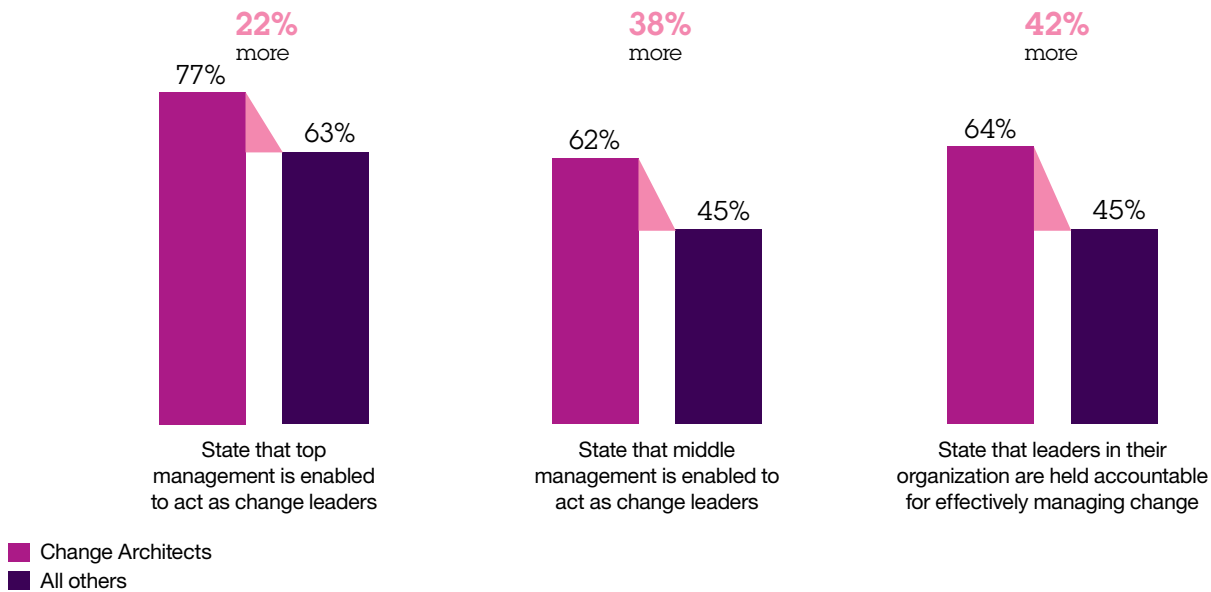| Means	Percentage
Involve leaders in role modeling	73%
Establish and communicate a compelling case for change	73%
Identify and empower people who are passionate about change	64%
Align performance goals	45%
Use reward and recognition systems	28%
Create top-down pressure through hierarchy	10%
Apply sanctions where necessary to achieve compliance	4%

Figure 5: Role modeling, and establishing and communicating a compelling change are viewed as the two most effective means of changing organizational attitudes and behaviors.

Source: IBM Organization Change Management.

22%
more

38%
more

42%
more

77%

63%

62%

45%

64%

45%

State that top
management is enabled
to act as change leaders

State that middle
management is enabled to
act as change leaders

State that leaders in their
organization are held accountable
for effectively managing change

■ Change Architects
■ All others

Figure 6: Change Architects do a better job of enabling both top and middle managers to act as change leaders. They also are more likely to hold their leaders accountable for managing change.

Note: Relative percentage increase shown.
Source: IBM Organization Change Management.

Whether it is top or middle management, change must become a personal responsibility. In fact, when asked to identify the most effective approach to enable management to act as change leaders, the top response (65 percent) was that change-leadership activities and skill building need to be included in personal goals and development plans. A majority of respondents also cited the need for a coaching program that incorporates the key elements of change management, how to engage various audiences consistently and at any time during the change journey, as well as how to gain employee commitment at every level.

Leaders involved in making change work must be held accountable for moving the organization forward. Yet, only 49 percent of organizations in our study hold their leaders accountable for effectively managing change. As one change

expert in Canada said, "The majority of leaders are held accountable for schedule and budget — for projects and implementations, but not for transitions and transformations." Change Architects fare better, with 64 percent demanding accountability from their leaders.

2. Engage employees with a compelling case for change

Change Architects stand out by consistently engaging employees during the ongoing change process. In today's era of technology-enabled communications and personal empowerment, focusing solely on one-way, top-down communication is not enough to create buy-in throughout the organization. While communication from the top using hierarchical cascades is still critical in change, the style of communication needs to encourage dialogue at all levels to drive project success.

Yet, in our study, 74 percent of organizations say they primarily have a top-down change communication approach, with few, if any, channels for employee feedback (see Figure 7). A much smaller percentage (18 percent) has multiple institutionalized feedback channels in place, and only a very few (8 percent) encourage dialogue across the organization via collaboration tools.

Change Architects, to no surprise, take a different approach. They do not just send out announcements or sporadically talk to their employees. Instead, they are 50 percent more likely than other organizations to take advantage of multiple communication channels and seek collaboration across the entire organization. Leaders in these companies listen, invite feedback and act upon what they learn. One study respondent summed it up, "We need to create a real change network and start thinking about the notion of virtual change agents. Actually freeing up time for people to create and participate in a virtual change network is a solution to operate in 'continuous mode' instead of project by project."

Social tools and collaboration are increasingly important to manage change and engage audiences. Yet, there is a large discrepancy between those recognizing the importance of new forms of communication in employee engagement and those actually using them. In our interviews, 73 percent of respondents agreed that social channels and collaboration tools provide an opportunity to increase employee engagement in change initiatives, and 59 percent agreed that these same tools speed the adoption of changes (see Figure 8).

Proper use of these new tools and techniques requires new sets of skills and leadership responsibilities. Change Architects are more likely to make use of social tools and technologies, and embed them into core capabilities. They are using social approaches not only to communicate better with their customers, but also to drive change within their organizations. In short, they are rapidly progressing to a larger, more substantial transformation of how they work.[11] This collaborative sphere

Change communication in organizations
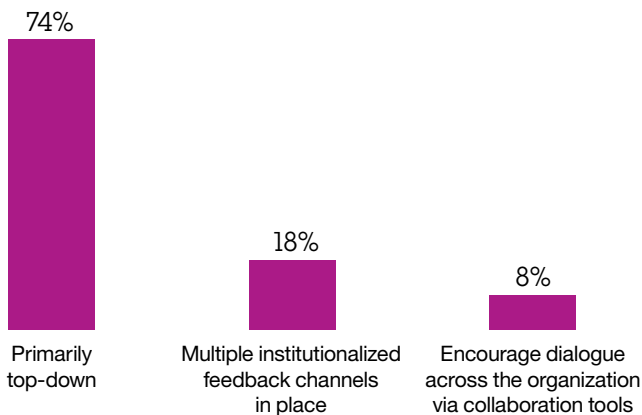
Figure 7: Change communication is still primarily top-down.

Source: IBM Organization Change Management.
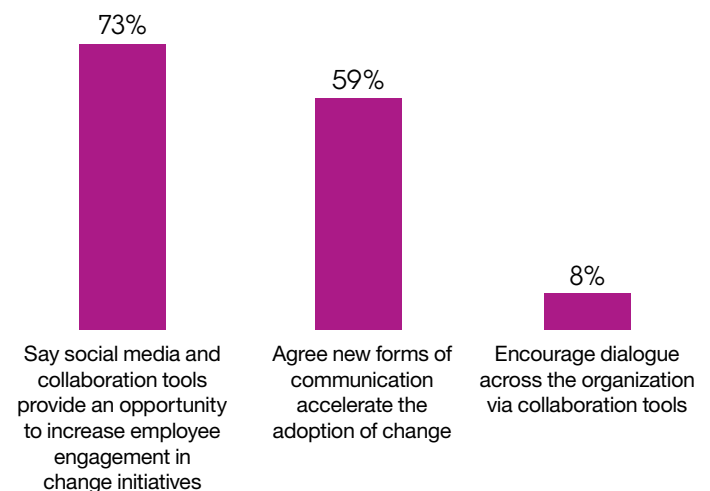
New communication tools

Figure 8: Social and collaborative engagement is becoming more prevalent and important.

Source: IBM Organization Change Management.

of communication is a promising lever for employee engagement, but it will not overcome a generally poorly managed change communication strategy. As one change expert in Canada said, "It can be a strong tool to accelerate the adoption of changes, but only if it is used in a smart manner. In order to have a clear and harmonized objective, a plan has to be designed before everyone jumps to social networks."

It, therefore, becomes a basic requirement to enable leaders to actively employ digital technology and newer forms of communication for engagement. Of those surveyed, 65 percent identified enabling leaders to actively engage in the digital sphere as a top priority to accelerate adoption of change practices. This was followed closely (61 percent) by the need to build awareness within the organization about the impact of social and collaborative activities.

Nevertheless, engaging in a conversation is not enough—listening, considering and acting upon employee suggestions is the key driver for project success. Among Change Architects—those who best embody excellent communication practices—71 percent consider and act upon employee suggestions. That is 37 percent more than all other organizations (see Figure 9).

3. Empower new and passionate change leaders at all organizational levels

In addition to leaders in formal positions of authority, it is increasingly important in today's organizations to empower emergent change-leadership at all levels. Leaders of collaborative communities of interest and opinion leaders of formal and informal networks may have thousands of followers within the organization. They may have more influence on the mindsets and behaviors of employees than many top managers. Emergent leaders are, by definition, close to daily business. They may understand and interpret change impacts better to their "followers" than those messages pushed through the hierarchy. As one change professional from France noted in our study: "Make involved people change actors, enabling them to move things forward in the right direction." A U.K. respondent added: "Recruit the right leaders, and then empower them

Employee suggestions are considered and acted upon
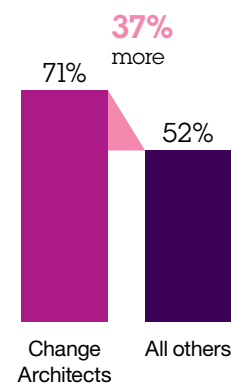
Figure 9: Change Architects also outpace others in considering and acting upon employee suggestions.

Note: Relative percentage increase shown.
Source: IBM Organization Change Management.

to do the job." Engaging and creating dialogue is no longer up to a handful of top managers. Leadership is emergent—the digital revolution, paired with new ways of working provides each and every employee with opportunities to lead change—bottom-up, top-down, sideways.

In summary

There are clear new requirements for the leadership role—it needs to be expanded by including:

- Accountability for change-leadership activities and results in the overarching business context
- Responsibility for active engagement of employees, including the digital sphere
- Ability to lead inclusively by empowering change-leadership at all levels.

Make change matter

A critical responsibility of top management is to create a clear vision of why active change management is vital to the organization. Managers also must make sure the activities and benefits of a change management program are well understood throughout the enterprise.

In our study, 87 percent of respondents indicate that not enough focus is currently placed on change management in critical projects. And the majority of organizations invest only 5 percent or less of total project budgets in change management activities on key projects (see Figure 10).[12] This is significantly less than the minimum of 11 percent required to be change-effective that was reported by organizations in our previous study.

Why is there such a discrepancy between financial resources allocated and those actually needed for effective change management? Respondents point to five specific barriers that keep organizations from aggressively pursuing new change capabilities. Cost is at the bottom of the list:

Budget allocation: change management versus project management

- ■ Percent of total budget invested in Change Management
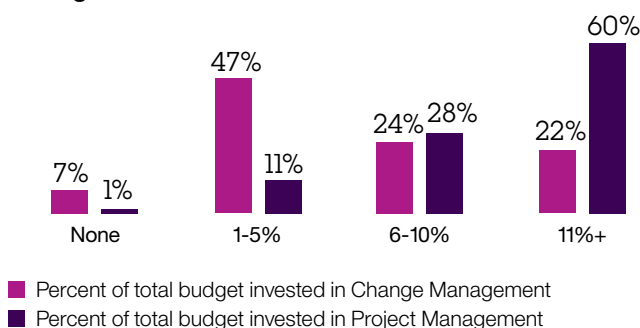- ■ Percent of total budget invested in Project Management

Figure 10: The majority of organizations invest only 5 percent or less of total project budgets in change management activities on key projects.

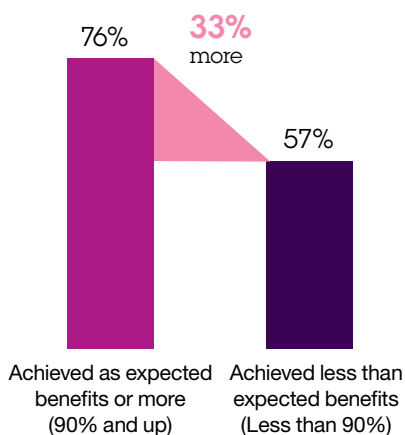**Source:** IBM Organization Change Management.

1. **Change management benefits are not clear** (69 percent): The value proposition for change management is not clear to many organizations. What does the organization gain by actively managing change? How does effective change management increase project success rates? And how does the organization assess outcomes of effective change management? To counter this, specific criteria for change success need to be defined at the outset and measured against projects results.

2. **Change management activities are not clear** (53 percent): Organizations gain limited consistent benefit from random or *ad hoc* change management activities that vary from project to project. Change activities are not understood, visible or tangible. Therefore, within the organization, a defined set of core activities should be applied to each strategically critical project. It is not enough to embrace change as a concept. Change management actions should be specifically incorporated into overall project plans.

3. **Role of change professional is not clear** (49 percent): Projects often fail to reach optimum outcomes because team members do not have a view into how each role interacts with the whole or the specific activities required. A distinct delineation of responsibilities needs to be established organization-wide so that employees understand the role of the change professional with clearly defined responsibilities and how those interlock with every change-relevant role.

4. **Lack of skilled change management resources** (43 percent): Many organizations have the desire for change, but do not have the capabilities to turn desire into reality. As a result, inadequately trained employees are charged with facilitating action beyond the level of their skill sets. To adequately deal with change, organizations need to enforce the rapid skill development of change professionals, as well as building up enterprise-wide change capabilities.

5. **Change management is too expensive (26 percent):**
   Acquiring new resources, adopting new methodologies
   and tools, and investing in training and education can be
   costly. But expense trails the other barriers to effective
   change management by a wide margin. From a financial
   standpoint, the inability or unwillingness to invest in the
   active management of change can, in the long run, end up
   being much more expensive. As previously noted, the
   equivalent to Change Architects in our 2008 study invested
   a minimum of 11 percent of total project budget in change
   activities. Yet, only 22 percent of the companies in our newest
   study said they invested that amount or more.[13]

For successful projects that respondents referred to (achieved
as-expected-or-more benefits), 76 percent include their change
management activities in overall project plans—33 percent
more than those that underachieve (see Figure 11).[14] They are
better in defining activities, linking them to business context and
assigning responsible roles for execution.

**Results when change management activities incorporated
at beginning of project plan**

Figure 11: Successful project results are more likely when change management
activities are incorporated into the overall project plan from the beginning.

Note: Relative percentage increase shown.
Source: IBM Organization Change Management.

However, having activities, roles and responsibilities in place and
communicated is not enough. Change professionals, as well as
those with other change-relevant roles, need to have the authority
and power to do what's required to make change work. They have
to ensure that change progress is on the agenda of executive
sponsors. Of the organizations in our study, 77 percent that
achieve as-expected-or-more benefits make change management
deliverables visible to executive sponsors—35 percent more than
those achieving benefits in their projects that were less than
expected. These successful organizations are better at delivering
tangible outcomes and keeping change progress at the forefront.

To make benefits clear, success criteria for change progress need
to be defined, agreed and measured against. Refining success
criteria and monitoring progress are the critical levers to reap
expected project benefits and more. And 78 percent of respon-
dents stated that progress was measured against predefined
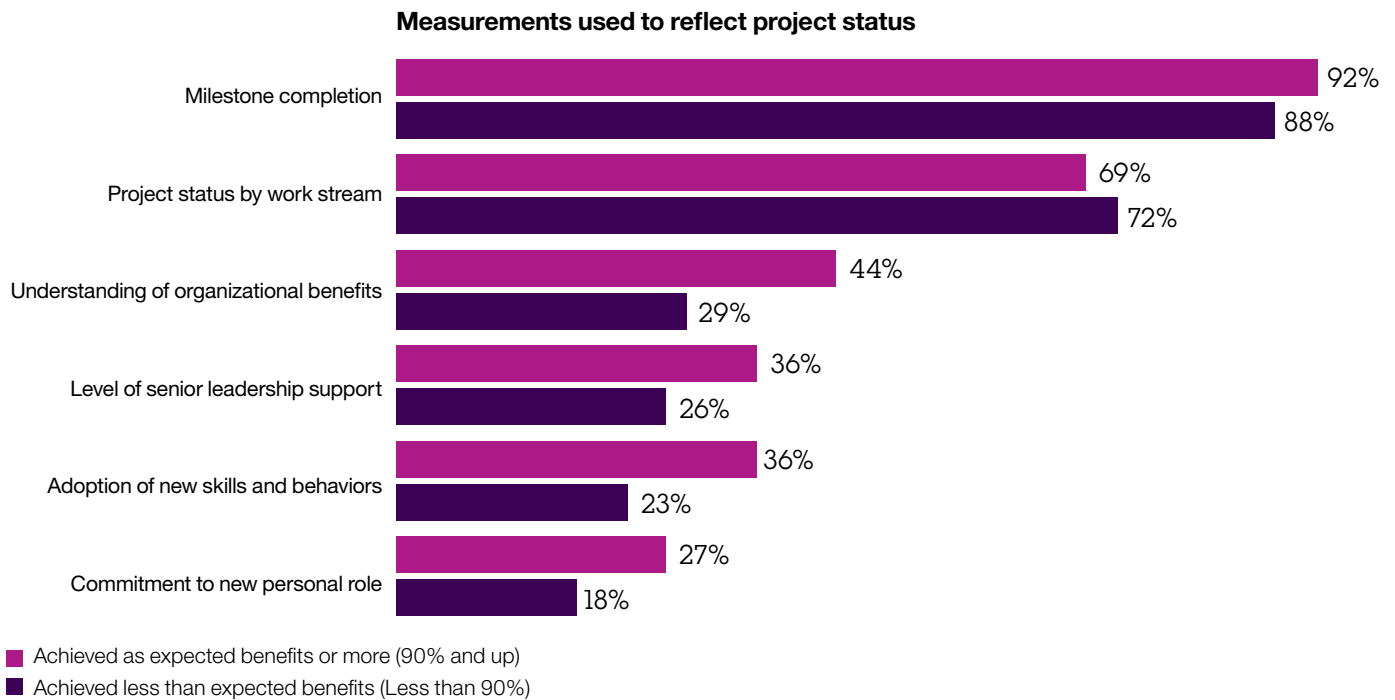goals. But what are they actually measuring against?

Respondents measured project progress mainly against
milestones (89 percent) and through status by work stream
(71 percent). In contrast, organizations that achieved as expected
benefits or more were much more likely to measure progress
against (see Figure 12):

- Adoption of skills and behaviors (57 percent more often than
  all others)
- Understanding of organizational benefits (52 percent more
  often)
- Commitment to personal role and case for change (50 percent
  more often)
- Level of senior leadership support (39 percent more often).

In summary

The organization as a whole must have a clear understanding
of the role, activities and benefits of change management. It is
the critical responsibility of top managers to establish the right
organizational context by making change matter. They must
create this vision, reinforce the benefits and inject change
management into the corporate culture of the organization.

Measurements used to reflect project status

Measurement	Achieved as expected benefits or more (90% and up)	Achieved less than expected benefits (Less than 90%)
Milestone completion	92%	88%
Project status by work stream	69%	72%
Understanding of organizational benefits	44%	29%
Level of senior leadership support	36%	26%
Adoption of new skills and behaviors	36%	23%
Commitment to new personal role	27%	18%

■ Achieved as expected benefits or more (90% and up)
■ Achieved less than expected benefits (Less than 90%)

Figure 12: Milestone completion is how most organizations measure project status. Successful projects put more focus on success criteria for change progress in their measurements.

Source: IBM Organization Change Management.

Build the muscle

Although the pace and magnitude of change continue to accelerate, the challenges associated with implementing a complete portfolio of change and transformation initiatives remain heavy with soft factors, for example, corporate culture and underestimated complexity. In our newest study, respondents view the hard factors—namely shortage of resources, change of processes and IT—as increasingly challenging (see Figure 13).[15]

With technological opportunities of the digital era driving the future agenda of organizations, it is not surprising that changes in IT and processes are becoming more challenging. And managers—especially middle managers—are squeezed by demanding change programs that, in many cases, share resources with daily business operations. And all of this is expected to be handled within a corporate cultural setting that is often not conducive to change in the first place. In other words, the soft stuff is still the hard stuff, but the hard stuff is getting harder.
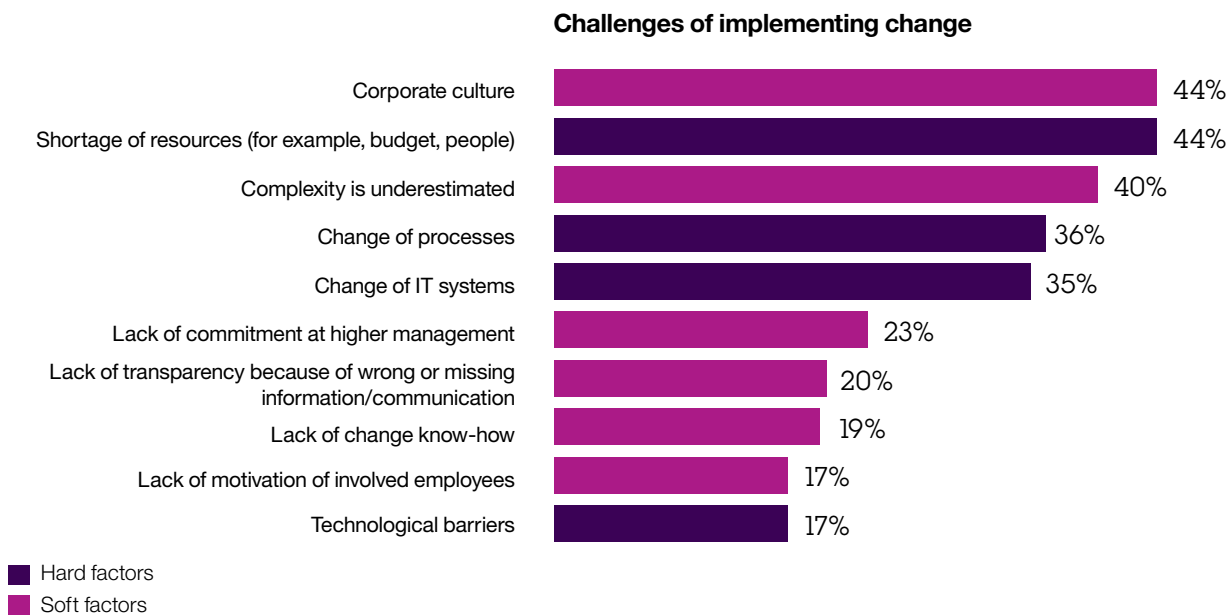
Challenges of implementing change

Corporate culture	44%
Shortage of resources (for example, budget, people)	44%
Complexity is underestimated	40%
Change of processes	36%
Change of IT systems	35%
Lack of commitment at higher management	23%
Lack of transparency because of wrong or missing information/communication	20%
Lack of change know-how	19%
Lack of motivation of involved employees	17%
Technological barriers	17%

■ Hard factors
■ Soft factors

Figure 13: Corporate culture, lack of resources and underestimated complexity are seen as the biggest challenges in implementing change.

Source: IBM Organization Change Management.

Top managers should address the spectrum of challenges of implementing change by empowering highly skilled change professionals who, in turn, accelerate the development of enterprise-wide change capabilities. These professionals inject change into the culture. In our study, 84 percent of organizations staff their projects with 50 percent or more internal resources to manage change. Yet, the large majority of respondents (77 percent) state that the average change management experience of experts in their organizations is only six years or less. Additionally, only 40 percent indicate they have the right skills in place to successfully manage change projects in the future. That means a gap remains as the demand for change capabilities is outpacing the efforts of organizations to address it—a race for change capabilities is on!

The demand, therefore, is for both rapid skill development of dedicated change professionals and building up general internal knowledge, skills and a mindset about how to

effectively deal with change. Organizations cannot address the increasing pace and magnitude of change today by reinventing activities and roles *ad hoc* or on a project-by-project basis. Change Architects recognize this. They formalize change expertise and systematically build enterprise-wide change capabilities. Over the last six years, the use of formal change management methods in projects has, on average, increased from 24 percent to 45 percent. For Change Architects, this number jumps to 55 percent (see Figure 14).[16]

Additionally, formal roles, career paths, job descriptions and development goals facilitate the development of effective change professionals. To accomplish this, personal development plans need to be in place that include the core activities, competencies and skills required to successfully execute the organization's change activities, as well as to enable other change-relevant roles.
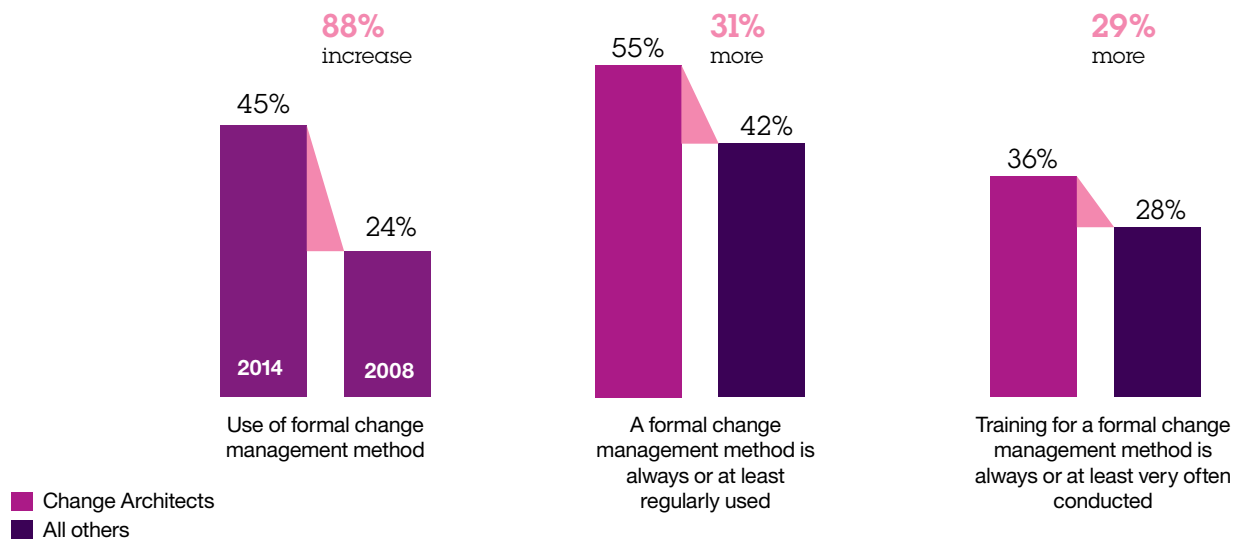
Use of formal change management method

88% increase

45%

24%

2014   2008

Use of formal change management method

31% more

55%

42%

A formal change management method is always or at least regularly used

29% more

36%

28%

Training for a formal change management method is always or at least very often conducted

■ Change Architects
■ All others

Figure 14: Use of a formal change management method has increased significantly since the original Making Change Work study in 2008.

Note: Relative percentage increase shown.
Source: IBM Organization Change Management.

Sixty percent of organizations in our study confirm a formal career path for project managers—as opposed to only 25 percent for change professionals. Having a formal career path for project managers does not qualify as a differentiator for success—it is rather avoiding underperformance. Change Architects reveal a key differentiator of success in this area—they establish a formal career path for change professionals 42 percent more than other organizations.

Change Architects also coordinate their formalized change discipline centrally to systematically build "muscle" organization-wide. There is a clear need for central coordination to drive consistent methods, change-related trainings, career developments, asset reuse, company-wide knowledge and best practice sharing. A central framework of reference and

knowledge should be established that can be, in turn, adapted to specific applications, project types and capacity. This is not a geographical alliance, but is instead a consolidation of expertise, institutional knowledge, best practices, performance goals, career paths and more. Compared to others, Change Architects have their change management capabilities considerably more consolidated—33 percent for Change Architects; 24 percent for all others.

In summary

Establishing a change discipline by formalizing change expertise, systematically building enterprise-wide change capabilities and centralizing change management efforts and teams helps organizations to build the muscle for change successfully in the long term.

The journey begins

"Change is hardest at the beginning, messiest in the middle and best at the end."

Robin S. Sharma, Author[17]

Becoming a Change Architect enables an organization to reduce—or at least maintain—the gap between the pace and magnitude of change and the development of change management capabilities. Disruption, as we have pointed out, is constant. Despite the fact that many companies have solid know-how to make change work, they have not been getting better at actively managing or executing it. The only way to close the change capability gap is to know the gap! Organizations have to recognize its dimensions and have a clear vision of the steps that need to be taken to close it. To do so, organizations are required to weave change into the fabric of the organization by working through the three building blocks of change: lead at all levels, make change matter and build the muscle.

To identify where gaps typically occur and provide a path forward, the IBM Institute for Business Value Research Hub analyzed how organizations responded to the questions in our study. It grouped them according to their existing change management capabilities and their ability to achieve outcomes that were as expected or better.[18] What we discovered is that organizations evolve through five distinct levels of maturity (see Figure 15).

Maturing through the stages of effectively managing change

"The great successful men of the world have used their imaginations... they think ahead and create their mental picture, and then go to work materializing that picture in all its details, filling in here, adding a little there, altering this a bit and that a bit, but steadily building, steadily building."

Robert Collier, Author[19]

The five maturity stages of managing change—informal, emerging, formalizing, scaling and embedded—each incorporate a set of capabilities and characteristics that must be developed before moving on to the next stage. As an organization moves from one maturity stage to the next, it adds additional capabilities and characteristics. And those skills that were previously developed are further refined. It becomes a continuous cycle of growth and development.

Not all organizations will begin the change management journey at the same place. Where to start depends upon the current state of change management maturity. However, regardless of where the journey starts, proceeding at a steady, predefined pace and with a common approach simplifies the process.

The five stages of maturity are:

1. Informal stage

Organizations at the first level of change maturity may follow a structured approach to project management. For change management, however, they primarily rely upon top management to act as change leaders. Informal organizations tend not to use a common or standard approach to managing organizational change, nor do they apply lessons learned from previous projects. Therefore, they frequently look to external resources for methods and skills. These organizations are just beginning to recognize social and collaborative tools as opportunities to engage employees in change initiatives.

To move to the next stage, organizations must include change-specific criteria in project progress measures and engage leaders in change management fundamentals by coaching change-leadership skills as part of personal goals and development plans.

2. Emerging stage

Organizations with emerging change management capabilities are beginning to expand their project management to include change-specific measures as a part of project status. However, most of these organizations still do not use a formal method for change management, nor do they provide associated learning — their change capability is only beginning to evolve. Emerging organizations are coaching their leaders on the fundamentals of change management and increasingly emphasizing change-leadership skills as part of personal goals and development plans. These organizations also have a greater appreciation for using social and collaborative tools to engage employees.

Drivers to get to the next level include implementation of change management methods and creating skilled leaders that can facilitate active commitment to change among different stakeholders.

3. Formalizing stage

Organizations that are formalizing change capabilities have a standard method in place and are applying consistent change management activities and tools to more projects. However, these organizations still lack a systemic approach to build enterprise-wide change capability. To enable a more formal approach to organizational change, leaders acquire skills that enable them to create commitment to change among different stakeholders. Formalizing organizations focus on applying change management capabilities to specific projects. The necessary resources may come from internal staff or be sourced externally.

To get to the next level, these organizations must create accountability for all leaders to drive change on all levels with a strong focus on middle management, and create change capabilities that are centrally coordinated. Training on formal change management methods should be systematically conducted for all relevant change roles.

4. Scaling stage

Organizations with a maturity level focused on scaling their change capabilities provide formal change management training for all relevant roles. They coordinate change efforts centrally to drive enterprise-wide application of a standard change discipline across a transformation portfolio of projects. Scaling organizations begin to systematically hold leaders at all levels accountable for effectively managing change. Rather than relying solely on top management, these organizations also place a strong emphasis on enabling middle managers to act as change leaders. Scaling organizations also value social media and collaborative tools to engage employees.

Drivers to get to the next level include systematically building enterprise-wide change capabilities, defining a budget dedicated to change management, and formalizing change management activities to be consistently integrated in all project plans.

5. Embedded stage

Organizations with the highest maturity level continuously invest in, and integrate change management activities into program/project budgets and plans, apply formal methods and tools, as well as regularly monitor program effectiveness and measure the adoption of change. Embedded organizations are systematically up-skilling all change-relevant roles through formal change management training. Change capabilities are broadly available to flexibly manage change across a diverse transformation portfolio. These organizations have embedded managing and embracing change into the culture of the entire enterprise. Agility in changing is a pervasive part of the mindsets, behaviors and the ways their leaders, managers and employees work. Where is your organization positioned along the change management maturity stages?
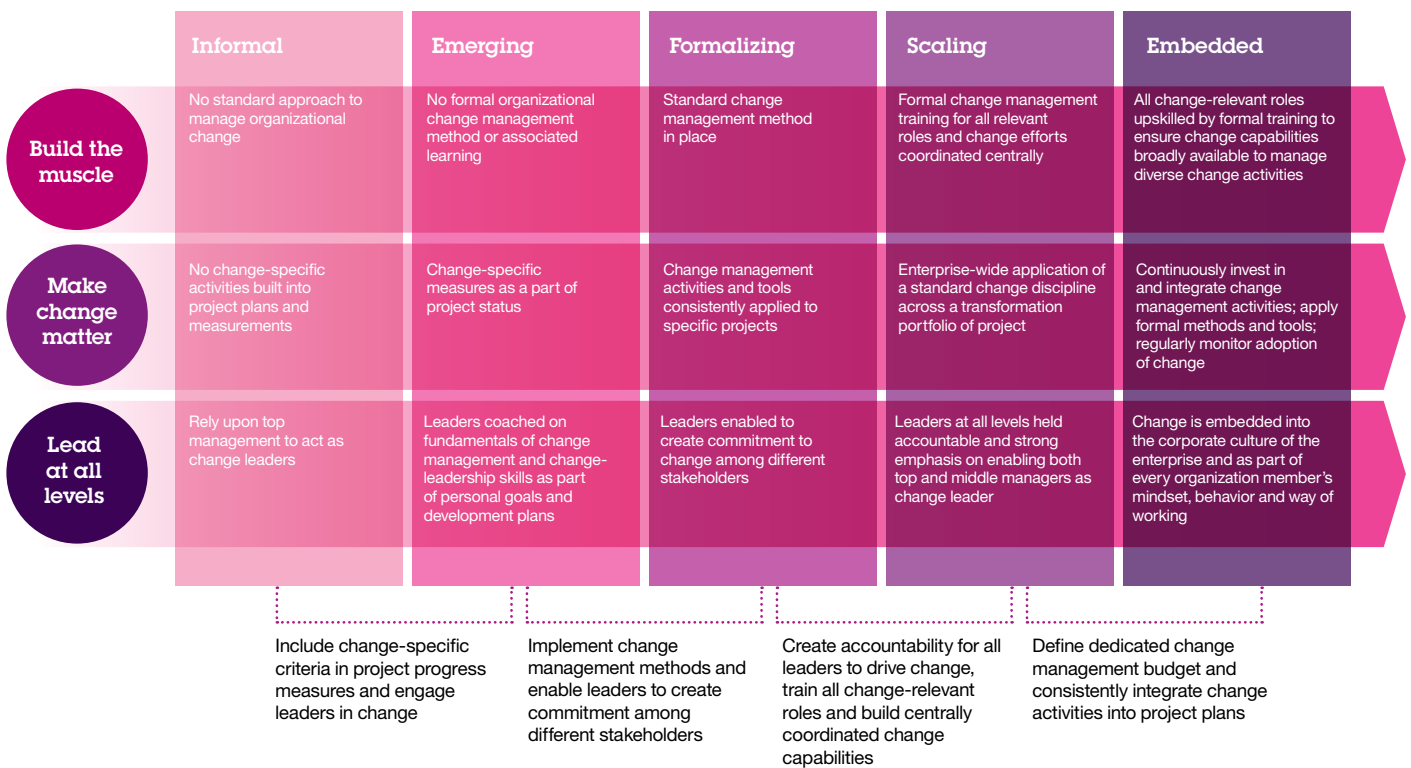
	Informal	Emerging	Formalizing	Scaling	Embedded
Build the muscle	No standard approach to manage organizational change	No formal organizational change management method or associated learning	Standard change management method in place	Formal change management training for all relevant roles and change efforts coordinated centrally	All change-relevant roles upskilled by formal training to ensure change capabilities broadly available to manage diverse change activities
Make change matter	No change-specific activities built into project plans and measurements	Change-specific measures as a part of project status	Change management activities and tools consistently applied to specific projects	Enterprise-wide application of a standard change discipline across a transformation portfolio of project	Continuously invest in and integrate change management activities; apply formal methods and tools; regularly monitor adoption of change
Lead at all levels	Rely upon top management to act as change leaders	Leaders coached on fundamentals of change management and change-leadership skills as part of personal goals and development plans	Leaders enabled to create commitment to change among different stakeholders	Leaders at all levels held accountable and strong emphasis on enabling both top and middle managers as change leader	Change is embedded into the corporate culture of the enterprise and as part of every organization member's mindset, behavior and way of working

Include change-specific criteria in project progress measures and engage leaders in change

Implement change management methods and enable leaders to create commitment among different stakeholders

Create accountability for all leaders to drive change, train all change-relevant roles and build centrally coordinated change capabilities

Define dedicated change management budget and consistently integrate change activities into project plans

Figure 15: The five maturity stages of managing change.

Source: IBM Organization Change Management.

Please find below questions that can help kick-start your thinking and determine next steps.

Lead at all levels

• Do leaders understand the importance of change-leadership on projects and serve as role models day-to-day?

• Are change-leadership activities included in personal goals?

• Do leaders leverage collaboration technology to engage in change conversations across your organization?

Make change matter

• Do leaders assign resources to organizational change activities on projects and initiatives?

• Does your organization measure change adoption? (for example, skill/behavior adoption, understanding of organizational benefits, commitment to personal role and case for change, level of senior leadership support)?

• Do leaders embed organizational change management activities into the management system (for example, through reviews of change initiatives and/or inconsistent change activities)?

Build the muscle

• Do leaders, managers and employees have sufficient organizational change capabilities to manage change challenges by tailoring common methods and tools to specific situations?

• To what extent can your organizational change capability be described as consolidated and organized centrally?

• To what extent is the personal development of change professionals incentivized through systematic personal development—or even reinforced through a career framework?

To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. For a full catalog of our research, visit **ibm.com**/iibv

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13   Ibid; 11 percent was identified as the minimum level of investment in MCW1 to be considered a change master

14   Looking at critical, differentiating factors in key reference projects, here, success is measured by the ratio of achieved vs. expected benefits. Achieved less than expected benefits (<90%), Achieved more than expected benefits (>=90%)

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