Change initiatives: Managing the Wheel of Woe execution risks

By Ajit Kambil

Change isn’t usually hired to maintain the status quo—they are often hired to improve the performance of a company, business unit, or functional area. This requires incoming executives to catalyze change in their organizations, often early in their transition. New executives may have to identify and start new change initiatives or get transformational projects that are recognized as off the rails back on track. They may have to reorganize their own group and upgrade talent, structure, systems, and processes. Successfully driving change can be both hard and risky for incoming executives.

Based on our numerous transition labs, we have identified various execution risk factors we call the “Wheel of Woe” issues. These are issues that leaders must be able to address to deliver successful change initiatives. Thoughtful consideration of and response to these dozen execution risk factors can help improve the odds of success.

The Wheel of Woe

There can be a variety of risks that undermine change initiatives. The 12 elements of the “Wheel of Woe” below are issues we commonly encounter in our transition labs. Generally these issues deal with three underlying drivers of execution risk:

availability of critical resources; stakeholder commitment and alignment; and emotional, cognitive, and social resistance. Risks in each of these categories are addressed in this article:

RESOURCES

1. Budgets

A key challenge for many change initiatives is inadequate budget. This can lead to stress, reduction in change elements delivered, and the project falling short of stakeholders’ expectations. It’s critical for budgets and expectations to be aligned at the outset to avoid initiatives that will fail by definition.

2. Workloads

Change requires work and effort. The most common refrain I hear from executives in our labs and team workshops on what hinders change efforts is that these efforts are often additive to the existing work demands on their staff. Those driving or executing change often have little or no excess capacity and time to undertake yet another project to execute the change. Change efforts are especially hard and likely to be understaffed when the company is going through a difficult time and where staff cuts have already increased individual workloads. Thus, it is...
Another workload issue that invites workforce resistance is one where the outcome of a change process itself creates more work for key workers without any payoffs for them. For example, imagine your company operates numerous high-end restaurants. As a CFO seeking greater procurement discipline, you implement a new system where the chefs now have to type their orders into the online system instead of just writing their choice of ingredients on a piece of paper and faxing it to a procurement organization. This initiative is unlikely to win the support of the chefs, since there are virtually no payoffs for them in this process change and it is more likely to demand a new level of effort on their part.

Avoiding these forms of resistance to change requires consideration of the extra effort required after the change. Change leaders need to undertake a process-stakeholder analysis, where they diagnose how the change effort or new processes impact the work requirements of different stakeholders. To get key stakeholder buy-in, leaders need to ensure there are payoffs for critical stakeholders that offset new work demands.

3. Talent

A critical resource for successful change is having people with the skills and experience needed to execute and maintain a change initiative. Imagine that you want to implement a data mining and analytics capability, but your existing staff has limited analytic skills. Hiring individuals with the right analytics skills can remedy this situation, but such new hiring can take time and require a budget. Often, recruiting and onboarding efforts for specialized high-quality talent can take nearly a year. In addition, you may have to let people go to make headcount available for new hires. This too can add to delays.
An especially important type of talent is leadership talent for the change initiative. Are the people you employ as leaders for the change initiative able to energize those involved in the initiative and inform and get buy-in from critical stakeholders? Are they able to break the project down into parts and bring it together again? Are they able to create the right level of urgency to get participants to move the project forward without going too fast or making errors, or do they progress too slowly and miss deadlines? Do they have the right level of authority to make key change decisions? The wrong leader for a complex change initiative is likely to fail.

4. Data and systems

Today, many change initiatives require supporting information and data. Yet, in our transition labs, we find this to be a critical constraint to change in many organizations. Core legacy systems may not be able to provide timely and accurate information and analysis for business decision making. In other cases where organizations have grown inorganically through acquisitions, critical systems and data sets may not be seamlessly integrated to give comprehensive real-time insights on key business issues. Thus, often, core data and IT infrastructure have to be improved before process and operational changes can be delivered in the company. This can lead to delays and additional costs to the change effort.

As noted above, inadequate budgets, time, talent, and information system resources often constrain and limit the realization of value from key business change initiatives. Change leaders need to ensure sufficient resources to mitigate execution risk.

ALIGNMENT

5. Stakeholder commitment

Change efforts require commitment, alignment, and sponsorship from key stakeholders. Without the right level of commitment, change initiatives can be delayed or fail, and become harder to execute. Misalignments do not always occur due to major disagreements or conflicts among stakeholders. Instead, they could occur because different stakeholders may simply prioritize their work differently. For example, you may be tasked with a critical change project, and it is the primary determinant of your annual performance review. However, other stakeholders you depend on may have other primary goals driving their performance reviews, and your change project may be lower on their priority list. Thus, aligning stakeholders often requires a senior project sponsor who can make the change initiative a high priority across stakeholders and ensure commitment of the right resources to the change initiative. For each of your projects, it is imperative to have a sponsor with the authority to align incentives across critical stakeholders.

6. Governance

One way to sustain stakeholder commitment and continuously realign it to a change initiative is to have an effective governance mechanism. A governance structure and process will bring together the different critical stakeholders on a regular cadence during the initiative to keep them informed and committed, to seek their counsel and inputs on resolving problems, and to gain their support for future directions. Governance may be multi-layered. For example, in major IT projects, there may be a business technology governance group of senior sponsors who set business direction, decide on major IT investments, allocate funds and ensure aligned incentives across groups. For specific projects, there may be operational governance where key stakeholders work together to deliver projects. Similarly, there may be technology governance groups that ensure technology choices are consistent with the company’s technology roadmap and architecture. All too often in our transition labs, we find ineffective governance structures and processes undermining success.

7. Ambiguity and uncertainty

Change efforts can also fail due to lack of clarity or ambiguity about the purpose of change, new process and system specifications, and desired outcomes and the definition of success for the effort. For example, when companies are unclear about their key strategic choices, their strategies may not effectively translate into value-creating execution.

Ambiguity can be especially costly in change projects that require information systems. When there is ambiguity of purpose—the project and system requirements may not be precisely specified. The programmers and developers of the system then give their best interpretation of user requirements,
but specific needs may be lost in the interpretation. This can lead to the development of systems that do not meet user needs. Thus, projects need the right level of specification and mutual commitment to specifications across stakeholders.

Consider the case of creating an app to connect your company to clients. Is its purpose to create added convenience for your clients to order from you in a secure manner on a mobile device? Is its purpose to inform clients about new products you offer? Is its purpose to understand what individual customers are looking at for targeted marketing? Is its purpose to provide them with the ability to track their own accounts with your company, or all of the above? Clarity of purposes and their prioritization is usually a good starting point from which to drive the design of processes and systems that deliver to objectives.

Ambiguity can also arise from the unknown—for instance, in the example above, we may not really know how customers will react to the new app. Even if customer focus groups are utilized initially to frame user requirements and specifications, it may be necessary to build a preliminary app, test it with users and iteratively change the app features with ongoing user inputs across multiple releases to arrive at a product that meets business objectives. An iterative execution process of development and testing can resolve the uncertainties of fully specifying all needs precisely at the outset of development. But this requires managing stakeholder expectations at the outset for an iterative process that includes a level of trial and error.

Change leaders need to mitigate the risks of stakeholder misalignment by having effective sponsors to align incentives and priorities, governance systems to continuously align stakeholders to objectives, and agreements on how to specify requirements and resolve ambiguities and uncertainties in objectives, requirements, and approaches to execution. An effective governance process helps the change initiative to effectively adapt to unfolding events and new information.

EMOTIONAL, COGNITIVE, AND SOCIAL RISKS

8. Habit

Prior habits can be a very powerful cognitive constraint to change. Executives in our transition labs often note the phrase “this is the way we have always done it” as an impediment to change. Habits impede changes because staff who stick with a prior habit may not adopt a new way of working or a new system. For example, consider moving from using Excel spreadsheets to a new online application for planning budgets. If folks in a part of the organization continue using their old spreadsheets instead of the new system—suddenly you are maintaining two systems instead of one and not realizing the full benefits of the new system. Changing habits can be hard and removing enablers of old habits may be critical to enabling positive change.

9. Fear

A powerful emotion that can inhibit change is the fear of loss or the unknown. For example, consider cloud computing. A number of management teams were initially reluctant to consider the cloud as a resource out fear of cybersecurity risks and loss of private data. Over time, as users gained more confidence in the way cloud service providers secured their services, more applications and data are being moved to the cloud. Another fear of change includes future job loss—especially with certain types of change initiatives. Fear can be paralyzing or lead to active resistance to the execution of a change initiative.

10. Diminished autonomy and power

Some change efforts may impact power relationships and the autonomy of individuals in an
organization. For example, when the group-level CFO seeks greater transparency into the business units and their work-in-process inventories, it may reveal information that dramatically alters the power between the center and business units. The information the group CFO gathers may reveal the shortcomings of the business unit CEO and undermine his or her power and influence in the overall group. Thus, provision of information to the center that undermines local autonomy and power is likely to be resisted. To overcome resistance to changes in power, it is likely the CFO will have to accumulate his or her own power or have the power of the group CEO as a sponsor behind changes to information flows that alter the distribution of power in the organization.

11. Social dissatisfaction

Resistance can also be triggered when work roles are transformed, leading to less work satisfaction or a change in worker status. For example, many CxOs try to improve operations and realize savings in their operations by implementing shared services solutions. These solutions can promise better specialization and definition of career paths. But while moving key staff from multiple locations to a centralized shared services center may immediately appear to reduce costs, the real outcome could be reduced client satisfaction and increased turnover—undermining the cost savings and other benefits. Sometimes, when jobs and the location of jobs are redefined through a shared services initiative, the satisfaction of experienced existing workers is diminished. They may have less connection with their local clients and less of a sense of being appreciated and valued by these clients. These changes may engender resistance to change or reductions in productivity, undermining change efforts. The risk of adverse impacts can be mitigated through careful consideration for the “socio-technical systems” prevalent in a company. To effectively manage change, CxOs should have change-leaders anticipate social satisfaction impacts of work redefinition in the change effort and plan to mitigate them.

12. Culture

Another category of emotional and social risks arises from the prevailing culture in the organization. For example, in our transition labs we often hear that some specific group is unwilling to change, due to the belief that they “are special and different from other groups in the company.” In these cases, the prevailing beliefs may have to be disaffirmed before the culture is modified to be able to accept a change such as a common ERP system or common operating protocols across business units. Our previous article on culture change identifies ways to triangulate on prevailing beliefs and some interventions to change culture.

Addressing emotional and social risks requires some level of anticipating the likely habits, fears, power, social satisfaction, and cultural beliefs that drive resistance to change. Once these risks have been anticipated, they can be addressed through thoughtful communications, the redesign of work, and actions to assuage fears and concerns. Where these strategies do not work—new staff supportive of the changes may have to be recruited.

The takeaway

For incoming CxOs the pathway to improving company performance can entail significant change initiatives. Yet, many change initiatives can encounter significant resistance and get crushed by the 12 “Wheel of Woe” execution risks outlined above. A starting point to improve the odds of success is to systematically anticipate and prioritize the risks that are most likely to impede the realization. The first three risks can be mitigated by acquiring adequate resources to support change. The next four can be mitigated through careful communications and by winning critical stakeholder commitments, effective governance, and planning and execution processes that are adaptive to the needs of the change initiative. Emotional, cognitive, and social risks can be partially mitigated through thoughtful communications addressing individual and group concerns or by changing staff. The odds of success can be improved by ensuring enough resources, aligning governance to execution, and helping individuals overcome resistance to change.
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ENDNOTES


2. Some of these “Wheel of Woe” risks were especially influenced by many authors. Two articles of note that shaped thinking on stakeholders, power, social dissatisfaction, and workloads are: Peter G.W. Keen, Information systems and organizational change, Center for Information Systems Research, Alfred P. Sloan School of Management, no.55, Sloan work paper no. 1118-80 (1980); M. Lynne Markus “Power, politics and MIS implementation,” Communications of the ACM, vol. 26, issue 6 (1983) pp. 430–444.