Nuts to crack
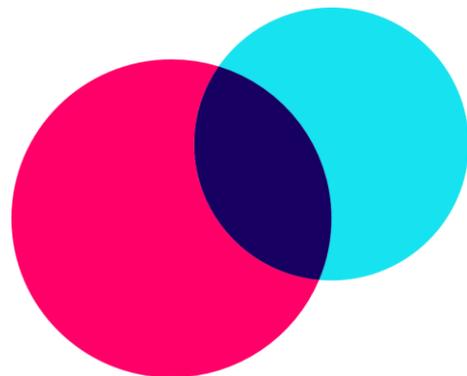
Leader Led Change in Action

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THE NUT TO CRACK

How do you determine the scale, complexity, and impact of the transformation?

The case for change and corresponding change story provides the base for determining the scale of the transformation. But how complex is it really? And what is the magnitude? **Complexity and impact** are often underestimated because little time is spent on analysing it. I have seen business transformations formulated as changing the world, where resources specified in terms of team, planning, and budget, seemed tuned towards change of a village at best. How can you prevent a mismatch between the actual scale, complexity, and impact of the transformation and the conditions created to make it happen?

THE SOLUTION

Part I: Analyse the true magnitude of the transformation

To determine the scale, complexity, and impact of the transformation it is useful to map the true nature of it.

Scale

Start by determining the scale of the transformation. Are we looking at a transformation that will impact one department, two or more departments, an entire business unit? Or perhaps more than one business unit, spread out over different geographical locations? Or will it impact multiple entities including perhaps a head office. **Map it out**. Then add the number of people who are impacted. This will uncover the true scale.

Complexity

To determine the complexity of a transformation you need to assess the number of organisational design dials you can tune.

There are basically **five dials you can tune** to realise change in daily business operations:

- Strategy and conversion to portfolio and individual goals
- Organisational structure and Responsibilities
- Processes and Systems
- Convictions and Behaviour, starting at the top
- Competence of manpower

The complexity of an organisational transformation increases proportionately with the number of dials you need to tune. Experience has taught us that turning more than one dial is generally required to keep the organisation **congruent and balanced**. For example, if you change the organisational structure, typically this structure would not work in reality, if you didn't also redesign the Key Performance Indicators and work on the competence development of a group of people. Moreover, complexity is further increased when you are trying to **change deeply rooted convictions** and unwritten rules, which goes far beyond knowledge or skills development.

Business Impact

The final significant element is the impact of the transformation on the daily business. Are you transforming primary processes in the heart of the business or altering the outer edges of the business? The level of disruption and with it, the complexity and related risks of the transformation, increase when you are working at the core rather than the periphery.

Support Tool I: Analysis of scale, complexity, and impact organisational transformation

The elements mentioned above are summarised in the following support-tool. This will facilitate your systematical indication of the true magnitude of the transformation, from incremental to huge. The necessary seniority and experience of the change leaders and enablers is directly connected with the magnitude of the transformation. Challenge number 10 will delve into this further.

Criteria	Incremental	Small	Medium	Large	Huge
1. # people impacted	< 10 people	< 100 people	100 -1.000 people	1.000 - 5.000 people	> 5.000 people
2. Reach of the transformation	Sub-unit	1 Business Unit	< 5 Business Units	≥ 5 Business Units	Entire organisation
3. Complexity of the organisational transformation	1 pillar*	1-2 pillars	3-4 pillars	See medium	All 5 pillars: 1. Strategy and conversion to portfolio and individual goals 2. Organisational structure and Responsibilities 3. Processes and Systems 4. Convictions and Behaviour, starting at the top 5. Competence of manpower
4. Complexity of achieving behavioural transformation	Change in knowledge & skills	Change in knowledge & skills and a few convictions	Change in knowledge & skills and conviction patterns	Change in knowledge & skills and deeply rooted convictions and self-image	See large
5. Impact of the transformation on daily business	Limited: e.g. changing one task	Small: e.g. developing one new skill	Medium: e.g. changing part of organisational structure	Large: e.g. implementing new ways of working	Disruptive: e.g. transforming business model
Seniority of change leader	Manager department Change experience on 1 pillar	Director business unit Change experience on 2 pillars	Business / Function Director, Change experience on 3-4 pillars	Director Business Group Change experience on 3-4 pillars	CEO / Executive Board member, Change experience on 5 pillars
Seniority of change enabler	Project Manager level I / Business Partner Change experience on 1 pillar	Project Manager level II / Senior Business Partner Change experience on 2 pillars	Programm Manager level I / Business Partner Director, Change experience on 3-4 pillars	Program Manager Level II / Business Partner Group Director, Change experience on 3-4 pillars	Program Manager Level III / Executive Business Partner Change experience on 5 pillars

Part II: Test small, scale big

Chaos is a given in today's world. The trick is to be able to balance periods of change with periods of relative stability, despite that chaos. You can guarantee more stability by starting your transformation in a smaller part of the company, **keeping the scope deliberately the size of a speed boat** instead of going straight for the scope of a tanker. In saying that, I don't mean you should implement part of the transformation. What I do mean is design for a holistic implementation on a smaller scale: you need to transform key performance indicators, adjust organisational design, processes, systems, capabilities and behaviour for the unit you nominate to go first.

Sometimes this can be a test you organise centrally. Alternatively, it can be the scaling of a success story that came about organically within the organisation. By accurately documenting these transformation processes, you develop a **scalable transformation model**. If the cost of waiting is acceptable, wait until you have found a workable scalable model that is able to reach the desired business impact for the targeted entities. Next you can scale up to implementing it in the entire organisation, knowing full well this will shake up the entire system. But since you have developed a proven success formula and are able to show successful business results you are increasing the chance of a smooth implementation in the rest of the organisation. In parallel, you can start initiating new tests. The following example will illustrate how.

REAL LIFE EXAMPLE
Creating a "bright spot"

Joost, the CEO of an ingredients supplier to the pharmaceutical industry, wants to move away from: a company which focusses merely on volume, competes on price, where each client receives the same level of service and sales employees behaves like they are the sole owners of the customers. He is unsure how and where to start. Together with his Transformation Director he decides on an approach.

*First, he uses **customer segmentation** to categorise his clients into A, B, C and D categories. Client A types are not considered more or less important than D types, but each category has its own respective service level and related cost. From the A category he nominates one client using three criteria: is this client representative for other ones, is the client approachable and cooperative, and are additional investments likely to bring in extra revenue? In short: is the client Scalable, Doable, Winnable? He puts a team together comprised of his best people from each of the departments freeing up their time to focus on the chosen A client for two days a week. Freeing them up is not an easy task, as it has to be done budget-neutral. Together with his management team he decides on which meetings to stop, which projects to slow down, and which duties to hand over to other individuals, in order to free up this team sufficiently for their new endeavour. He also provides the team with extra support in the form of two coaches.*

*During the kick-off with this new team, he decides against giving them financial targets, focusing instead on a **more inspirational customer centric challenge**, namely winning the supplier-of-the-year award from this client. The team was installed in a glass office space in the middle of the department, and they put stickers of the client and its customer on the walls. Their scrum board is clearly visible to all and the other employees have a standing invitation to join the Monday morning scrums if they like.*

*The team maps out the needs of the end-customer and clarifies where they have contacts on the client-side, and how to intensify those relationships. They **plot the client journey** which brings the weak spots in the value delivery to this client to light. The journey is then validated with the client itself through various interviews.*

By following this approach, the focus shifts from pushing a certain ingredient onto a client to innovation in co-creation with this client. And to adding value to this client instead of pushing volume.

*After four months, Joost starts up a second team. A few months after that, a third team starts. Joost finds it relatively easy to **scale-up this approach** as people have become curious and consider it an honour to be part of one of the customer centric teams.*

*Now, two years later, the team has not won the supplier of the year award, as they found out that this particular client didn't issue that award. Instead, they received multiple indicators of recognition. Particularly, a letter signed by eight senior managers from the client, valuing the effort and support during COVID-19. **The EBIT of this business unit has quadrupled since the start of this volume to value transformation,** a fantastic boost for Joost and his team as a reward for their efforts.*

Tip for the change leader

If you feel you are dealing with a transformation the size of a tanker, then I would personally advise **starting with a number of speedboats**. Creating those **bright spots** significantly diminishes the business risk of the entire transformation.

Tip for the change enabler

Proactively put determining the scale, complexity, and impact of the transformation you enable on the **agenda** early in the process. The earlier critical stakeholders are aware of the actual magnitude, the easier it becomes to get the necessary resources in place.

CONCLUSION

Each transformation is different. The range of scale, complexity and impact vary considerably.

By recognising and **potentially adjusting the true scale early** in the process and by using the **speedboat approach** you can illustrate transformation risks early on and reduce them.