

What It Takes to Lead an Organizational Transformation: Six Levers that Drive Success

Dr Andrew White - Said Business School

Dr Michael Wheelock – EY

Mr Adam Canwell – EY

Professor Michael Smets – Said Business School

Disruption used to be an exceptional event that hit an unlucky few companies — think of the likes of Kodak, Polaroid, and Blackberry. But in today's complex and uncertain world, as we face challenges ranging from climate change to digitization, geopolitics to DEI, organizations must treat transformation as a core capability to master, as opposed to a one-off event.

At the same time, leaders must recognize that transformation is fraught with risk. In 1995, John Kotter found that [70% of organizational transformations fail](#), and nearly three decades later, not much has changed. Our own research, in which we spoke to more than 900 C-suite managers and more than 1,100 employees who had gone through a corporate transformation, showed similar results: 67% of leaders told us that they had experienced at least one underperforming transformation in the last five years.

Considering that organizations will spend billions on transformation initiatives over the next year, a 70% failure rate equates to a significant erosion of value. So, what can leaders do to tilt the odds of success in their favor? To find out, we interviewed 30 leaders of transformations and surveyed more than 2,000 senior leaders and employees in 23 countries and 16 sectors. Half of our respondents had been involved in a successful transformation, while the other half had experienced an unsuccessful transformation.

[So what tactics did the leaders of successful transformations use to manage the emotional journey? To find out, we built a model to predict the likelihood that an organization will achieve its transformation KPIs based on the extent to which it exhibited 50 behaviors across 11 areas of the transformation. This model revealed that behaviors in 6 of these areas consistently improved the odds of transformation success. Organizations that are above average in these areas have a 73% chance of meeting or exceeding their transformation KPIs, compared to only a 28% chance for organizations that are below average. Our research suggests that any organization that can effectively implement these six levers will maximize their chances of success.](#)

Our research [also](#) found that a key difference in successful transformations was that leaders embraced their employees' emotional journey. Fifty-two percent of respondents involved in successful transformations said their organization provided the emotional support they needed during the transformation process "to a significant extent" (as opposed to 27% of respondents who were involved in unsuccessful transformations).

Transformations are extremely difficult on a personal level for everyone involved. In the successes we studied, leaders not only made sure their teams had the processes, resources,

Commented [AW1]: We would like to add this section in to underpin the robustness of the study - hope this is ok

and technology they needed — they also built the right emotional conditions. These leaders offered a compelling rationale driving the transformation, and they ensured employees had the emotional support they needed to execute. This meant that when the going inevitably got tough, employees felt appropriately challenged and ultimately energized by the stress.

By contrast, leaders of the unsuccessful transformations didn't make the same emotional investment. When their teams hit the inevitable challenges, negative emotions spiked, and the team entered a downward spiral. Leaders lost faith and looked to distance themselves from the project, which led employees to do the same.

The Six Key Levers of Transformations

So what tactics did the leaders of successful transformations use to manage the emotional journey? Our research identified six levers that maximize the chances of success.

1. Leadership's own willingness to change

Many people believe that a leader's job is to look outwards and give others guidance, but our research suggests that to help their workforce navigate a transformation, leaders need to look inward first and examine their own relationship with change. "If you are not ready to change yourself, forget about changing your team and your organization," as Dr. Patrick Liew, executive chairman at GEX Ventures, told us.

In our interviews, leaders spoke of working on their own development, including engaging more with their emotions and becoming accustomed to the discomfort that accompanies personal growth. Leaders needed to "look into a mirror," as one told us, and realize that they were part of the problem before the shift to a positive trajectory could take place. They needed to remove their own fear before they could help their employees get through this change.

"As someone who was tasked to lead this [transformation], if I'm being honest with you, it was pretty unsettling at the start, because I think by nature most of us like to know the path we're going on," as one COO from the automotive industry told us. And a senior vice president in the global business services industry described needing to become more vulnerable and honest on their path to self-discovery: "I think I became even more aware of myself, who I am."

2. A shared vision of success

Creating a unified vision of future success is another all-important foundation point of a transformation. In our research, 50% of respondents involved in successful transformations said the vision energized and inspired them to go the extra mile to a significant extent (as compared 29% of respondents in low-performing transformations).

Employees must understand the urgent need to disrupt the status quo. A compelling "why" can help them navigate the inevitable challenges that will arise during a transformation program. Many of the workers who took our survey said that they "wanted" and "needed" the vision to be communicated clearly. When leaders share a clear vision, the workforce is more likely to get on board. But if people don't understand the vision or need for transformation, success is hard to achieve.

"It's not about me telling people 'This is what's going to happen,'" as a managing director in the medical device industry told us. "It's about me creating this shared sense of ownership ... and

then [coaching] my team on what they need to achieve. We very consciously want our teams to really buy into this is how we, as a collective, want to work."

3. A culture of trust and psychological safety.

Trust and care from leaders can make a difficult transformation more emotionally manageable. At the most basic human level, we all know what it feels like to be seen, listened to, and heard by another person. It can validate our effort, motivate us to work harder, and help assuage emotions like doubt, fear, anger, and sadness. Workers in our study shared that they wanted leaders, who were patient and who also had, in the words of one employee, a "calm and teachable spirit."

In a workplace with a high degree of [psychological safety](#), employees feel comfortable that they can share their honest opinions and concerns without fear of retribution. When trust and psychological safety are missing, it's difficult to persuade your workforce to make necessary changes. For example, one senior leader told us that employees at their company were extremely fearful of the transformation and didn't feel that they could speak up about the problems they saw. Not surprisingly, the transformation did not go well.

4. A process that balances execution and exploration

Transformations obviously need disciplined project management to drive the program forward. But our research showed that leaders of successful transformations created processes that balanced the need to execute with giving employees the freedom to explore, express creativity, and let new ideas emerge. This empowers the workforce to identify solutions or opportunities that better meet the long-term goals of the transformation.

"Innovation requires the right people and processes," said one survey respondent who wanted to remain anonymous. "Both are critical to encourage collaboration and experimentation."

'We had a few stops and starts. We had to be a little bit more patient. But the patience and the tenacity in working through those relationships to create buy-in has ultimately meant that we now have one global technology ecosystem for learning that is very agile.' – Marc Howells, VP & Head of Global Talent & Organisational Development, AstraZeneca

Commented [SM2]: Could we describe this person by title or industry?

Commented [AW3R2]: The first quote came from an anonymous survey - so I have included another which is from out interviews. I hope this works...

We also found that creating space for small failures can ultimately lead to big success, whereas fear of any failure can lead to missed opportunities. Forty-eight percent of our respondents involved in successful transformations said the process was designed so that failed experimentation would not negatively impact their career or compensation to a significant extent. By contrast only 29% of respondents in unsuccessful transformations said the same.

5. A recognition that technology carries its own emotional journey

The leaders in our study ranked technology as the biggest challenge they faced in their transformation efforts. There are a lot of emotions to manage when new systems or technology are introduced, from stress over how it works to fear about whether it will cause job loss or slow down the system.

In the underperforming transformations we studied, we saw the narrative shift away from the vision to focus on the technology itself. Whereas in the successful transformations, leaders ensured that technology was seen as the means to achieve the strategic vision. Furthermore, they prioritized quick implementations of new technology — focusing on a minimum viable product rather than perfect implementation. Lastly, they invested resources into skill development to ensure the workforce was ready to create value using the new technology.

“There were kickoff sessions with our senior managers to bring them in at the beginning of the process,” a vice president of a company in the media/advertising industry explained. “These sessions aimed to show them that what was being built was something that they had helped design, rather than something that was presented to them as a *fait accompli*. ...This minimized the numbers of active detractors.”

6. A shared sense of ownership over the outcome

In the successful transformations we studied, leaders and employees worked together to co-create an environment where everyone felt a shared sense of ownership over the transformation vision and outcome.

A prime example of this is many companies' rapid shift to virtual and remote working during the pandemic. Because of the speed and urgency of the change, leaders needed to collaborate closely with the workforce to create new ways of working and be much more responsive to their views on what was or wasn't working. This mass co-creation helped build a sense of pride and shared ownership across both leadership and the workforce.

“In a transformation, things pop up all the time,” as Christiane Wijzen, head of corporate strategy at Boehringer Ingelheim, told us. “When you have a movement around you, supporters will buffer it and tweak it each time. When you don't have this movement, then you're alone.”

To conclude, it's worth reiterating that all transformations are tough. Even during successful programs, there will come a time where people start to feel stressed. The skill at this difficult stage is being able to energize your workforce and turn that heightened pressure into something productive, as opposed to letting the transformation spiral downwards into pessimism and underperformance.

What we saw throughout our research is that leaders who are truly working with their employees are much more successful. They acknowledge and manage emotions, rather than pushing them aside or ignoring them. The best leaders create vision across the organization and a safe environment to work together and listen to each other.

“You’ve got to be very, very respectful of people at a working level,” as Thomas Sebastian, CEO of London Market Joint Venture at DXC Technology, told us. “You’ve got to understand the emotional side and consider a completely different perspective, such as how is this transformation going to make their life easier.”

Success begets success. Once a workforce has undergone a successful transformation, they will be ready to go again. And given the pace of change in the world, organizations have got to be ready to go again.

Michael Wheelock leads a primary research and advanced analytics team in EY Knowledge. His team designs and delivers global, mixed methods research programs to support EY’s flagship thought leadership.

Commented [AW4]: New biography for a author who has not published with you before

Commented [AW5]: Can we add the mentions of the Team back in - we really want to recognise their contributions