McKinsey Global Survey results:

What successful transformations share

When organizational transformations succeed, managers typically pay attention to "people issues," especially fostering collaboration among leaders and employees and building capabilities.
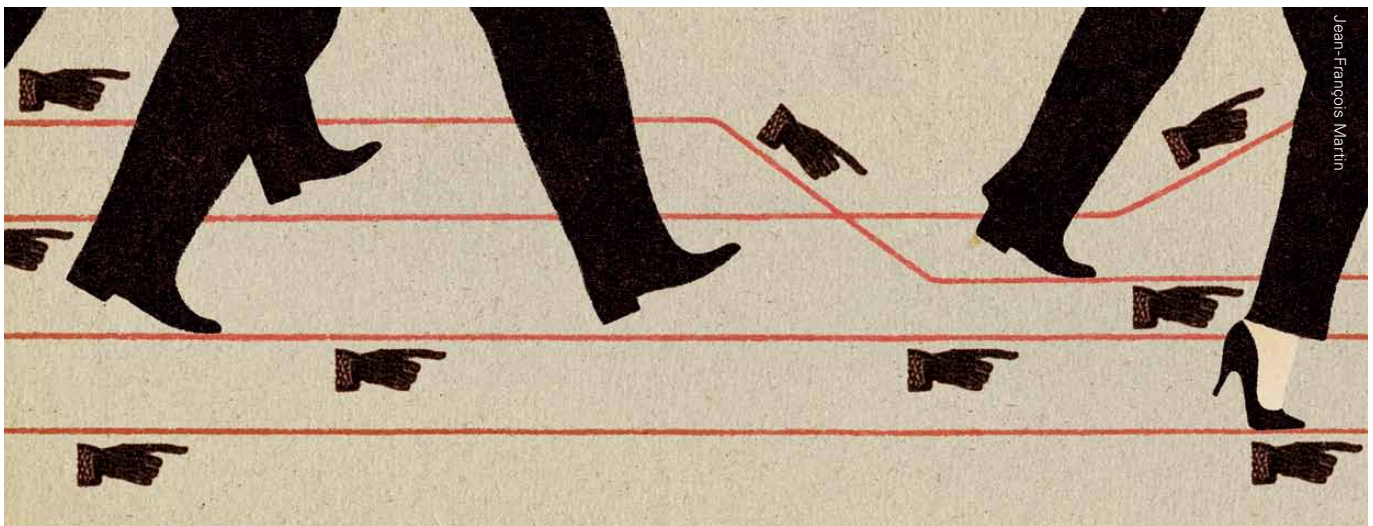
Over years of research and client work, we've identified a few tactics that help drive successful transformational change—any large-scale change, such as going from good to great performance, cutting costs, or turning around a crisis. These tactics include setting clear, aspirational targets; creating a clear structure; maintaining energy and involvement throughout the organization; and exercising strong leadership.[1] In this latest survey of executives from around the world,[2] we've dug into just how companies apply some of these tactics. We found that a few approaches in each area are most tightly correlated with successful transformations of both short-term performance and long-term corporate effectiveness, or "health." In addition, the approaches most used by successful companies tend to complement and reinforce one another.

The survey asked executives about types of transformations (what types their companies had undertaken and why), goals for the transformation (what the goals were, how they were defined, and how successfully they were met), and implementation (how companies structured and carried out the transformation).

By looking at the approaches used by companies that executives describe as most successful in transforming themselves, we found evidence suggesting the importance of engaging employees collaboratively throughout the company and throughout the transformation journey. Another major theme was the importance of building capabilities—particularly leadership capabilities—to maintain long-term organizational health. In addition, a focus on strengths and achievements, not just problems, throughout the entire transformation process is strongly tied to success.

[1] See, for example, Josep Isern and Caroline Pung, "Driving radical change," mckinseyquarterly.com, November 2007; Josep Isern, Mary C. Meaney, and Sarah Wilson, "Corporate transformation under pressure," mckinseyquarterly.com, April 2009; and "Creating organizational transformations: McKinsey Global Survey Results," mckinseyquarterly.com, August 2008.

[2] The online survey was in the field from January 19, 2010, to January 29, 2010. We received responses from 2,512 executives representing the full range of regions, industries, functional specialties, and seniority.

Building a clear structure collaboratively

This survey reconfirms the importance of some basic best practices to successful transformations. Strong majorities of extremely successful companies define the targets, role, and structure of the transformation clearly, respondents say.

Furthermore, this survey allows us to identify some approaches for creating a change plan that are closely tied to success: assessing a company's present situation rigorously, identifying the current state of corporate capabilities as well as problems, and explicitly identifying the underlying mind-sets that must change for the transformation to succeed (Exhibit 1). In addition, nearly three-quarters of companies that were extremely successful in meeting their transformational goals broke down the process of the transformation into specific, clearly defined initiatives. Other structural approaches, such as a robust risk-management process or a project-management office, are less often correlated with successful transformations.
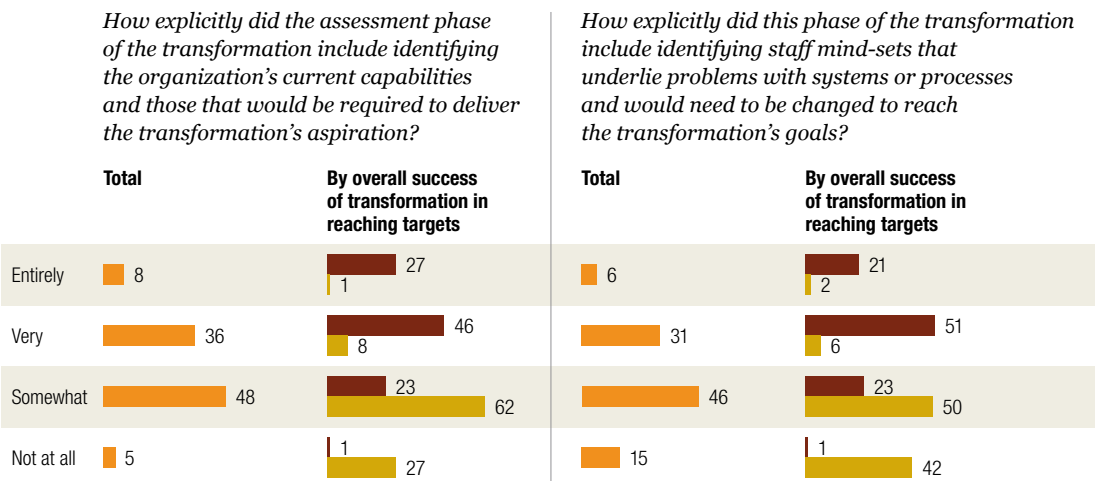
Notably, employee engagement as early as the planning process emerges as a key success factor. Indeed, in successful transformations, executives say that identifying underlying mind-sets that would need to change was the approach used most often. Moreover, three-quarters of the respondents whose companies broke down their change process into clearly defined smaller initiatives and whose

Exhibit 1

Transformation assessment

% of respondents,[1] n = 2,314

Extremely successful, n = 113
Not at all successful, n = 128

	How explicitly did the assessment phase of the transformation include identifying the organization's current capabilities and those that would be required to deliver the transformation's aspiration?		How explicitly did this phase of the transformation include identifying staff mind-sets that underlie problems with systems or processes and would need to be changed to reach the transformation's goals?	
	Total	**By overall success of transformation in reaching targets**	**Total**	**By overall success of transformation in reaching targets**
Entirely	8	27 / 1	6	21 / 2
Very	36	46 / 8	31	51 / 6
Somewhat	48	23 / 62	46	23 / 50
Not at all	5	1 / 27	15	1 / 42

[1] Respondents who answered "don't know" are not shown.

transformations were "extremely successful" say that staff members were entirely or very able to participate in shaping those change initiatives (Exhibit 2). Collaboration and cocreation also are important: nearly a quarter of the extremely successful transformations were planned by groups of 50 or more, compared with just 6 percent of unsuccessful transformations.[3]

Engaging employees

Strong leadership and maintaining energy for change among employees are two principles of success that reinforce each other when executed well. For example, when leaders ensure that frontline staff members feel a sense of ownership, the results show a 70 percent success rate for transformations. When frontline employees take the initiative to drive change, transformations have a 71 percent success rate. When both principles are used, the success rate rises to 79 percent.

Among all of the structural and executional approaches to change we asked about, five of the eight used in strong majorities of successful transformations relate to ensuring that employees are engaged, often by leadership initiatives (Exhibit 3). Furthermore, among the respondents whose companies used small-scale initiatives to roll out their change programs, 60 percent of the extremely successful ones focused some initiatives entirely or mostly on changing mind-sets, compared with only 12 percent of the unsuccessful transformations.

[3] Of the transformations rated "not at all successful," 70 percent were planned by ten or fewer people.

Exhibit 2

Staff's contributions

% of respondents whose companies broke down the transformation into specific, smaller change initiatives[1]

To what extent were staff able to contribute their own thoughts and ideas to shape (or cocreate) the company's change initiatives?

By overall success of transformation in reaching targets

	Total, n = 1,549	Extremely successful, n = 86	Very successful, n = 546	Somewhat successful, n = 725	Not at all successful, n = 51
Entirely	7	33	9	3	3
Very	35	40	41	32	9
Somewhat	46	25	44	50	53
Not at all	11	1	6	14	35

[1] Respondents who answered "don't know" are not shown.

Exhibit 3

Keys to success

Actions taken by the companies of at least 70% of respondents who say their company was "very/extremely successful" in reaching the transformation's targets

▢ Approaches that enable employee engagement

- Leaders ensured that frontline staff felt ownership for the change.
- Roles and responsibilities were clear, so people felt accountable for delivering results.
- The organization was engaged and energized through ongoing communications and involvement.
- Our best talent was deployed to carry out the most critical parts of the transformation.
- Leaders role-modeled the desired changes.

- The transformation was organized into a clear structure with readily understandable sections.
- Clear, unambiguous metrics and milestones were in place to ensure that progress and impact were rigorously tracked.
- The right information was available at the right time for managers to monitor the transformation's progress and troubleshoot where required.

Leadership and capabilities

Eighty-three percent of all respondents say their companies' transformations focused wholly or in part on changing the organizations' long-term health by building capabilities, changing mind-sets or culture, or developing a capacity for continuous improvement. Transforming leadership capacity seems to be particularly significant in transformations that succeeded in improving long-term health: 63 percent of executives who say their companies' transformations had a significant impact on leadership capacity indicate that the transformation improved both short-term performance and long-term health. By contrast, a third of those who say their companies' transformations had no significant effect on leadership capacity nonetheless succeeded in transforming short-term performance—a rate of success almost as high as the rate for any transformation.

Further, 69 percent of respondents who have an opinion say their companies' transformations led to a greater capacity for continuous improvement.[4] One of the two main reasons, chosen by 61 percent, is that staff gained new skills through the transformation. The other reason, chosen by an equal share, is that the companies' cultures became more supportive of innovation and improvement.
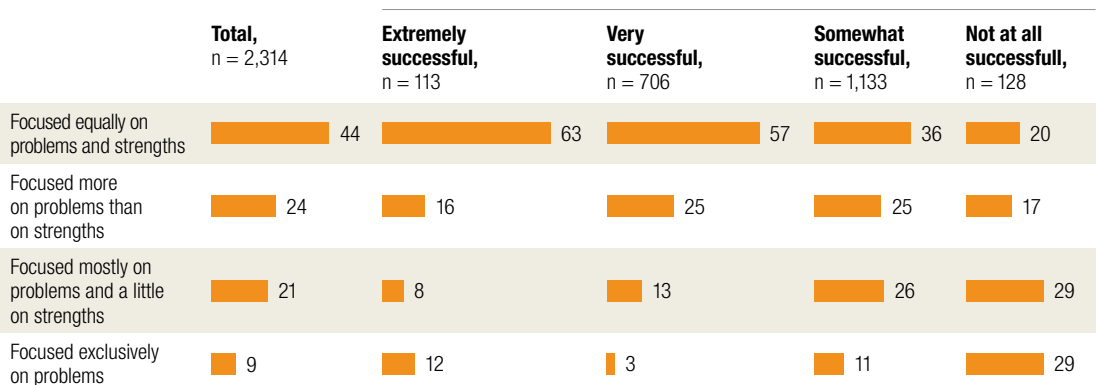
Accentuate the positive

We found in earlier work that when communications about an organization's transformation celebrate success as well as discuss reasons for change, the organization tends to be more successful in driving the transformation than when communications focus solely on reasons for change. In this survey, we've found that focusing on the positives early in the process—during the assessment of a company's current position—also correlates strongly with success (Exhibit 4).

[4] Fifty-four percent say they don't know yet.

Exhibit 4

Assessing strengths, opportunities, and problems

% of respondents[1]

In assessing the situation before beginning a transformation, some companies focus on identifying their strengths and opportunities, while others focus on understanding problems that need to be addressed. To what extent did your company's assessment balance these two approaches?

By overall success of transformation in reaching targets

	Total, n = 2,314	Extremely successful, n = 113	Very successful, n = 706	Somewhat successful, n = 1,133	Not at all successfull, n = 128
Focused equally on problems and strengths	44	63	57	36	20
Focused more on problems than on strengths	24	16	25	25	17
Focused mostly on problems and a little on strengths	21	8	13	26	29
Focused exclusively on problems	9	12	3	11	29

[1]Respondents who answered "don't know" are not shown.

Looking ahead

• Companies that undertake transformational change have to succeed at the basics, such as creating clear, stretching targets and defining a clear structure. In addition, this survey suggests that the more companies also focus on their employees' mind-sets and behavior, the more successful they will be.

• It can be hard to find time to pay attention to mind-sets and behavior, given all the other work of a transformation. Companies that focus on the few approaches this survey shows to be frequently tied to success can use their limited resources wisely.

• Given the importance of collaboration across the whole organization, leaders at companies starting a transformation should put a priority on finding efficient and scalable ways to engage employees. ▫