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■ *They transfer that alignment to employees through respect and empowerment and by giving them the structure and the tools to succeed*

■ *Finally, they alter course in response to input from their feedback systems*

Cascading Change

Despite the failure of at least two-thirds of corporate change programs, a few companies consistently defy the odds and achieve sustainable and measurable success. Rather than suffer from lost opportunity, these companies achieve higher performance—driven by greater customer retention, lower costs, faster growth, or whatever ambitious target they set.

What is their secret? These companies recognize that the ability to change is a source of competitive advantage. They ensure that the leadership group is aligned on the goals and means of change, and they transfer that alignment to employees through respect and empowerment and by giving them the structure and the tools to succeed. Finally, they alter course in response to input from their feedback systems. We call this process of alignment *cascading change*.

The Power of a Cascade

Think of a fountain: water collects at the top and then cascades to the bottom. Successful change happens the same way. Senior executives agree collectively on the need to change, the goals, and the means. Then they spread their vision and energize the organization. A cascade moves in two directions. Just as water returns to the top of the fountain, senior executives must receive feedback from deep within the organization, where the fate of change resides, in order to track progress and make adjustments.

This is not top-down management by another name. Rather than simply accept commandments from Mount Sinai, the middle and front lines have meaningful roles and clear decision-making authority. By giving middle managers power and responsibility, this approach allows the change effort to succeed *and* strengthens internal capabilities, employee engagement, and the capacity to change in the future. Barack Obama used many elements of a cascade in his presidential campaign. A strong center was able to mobilize—and receive feedback from—an army of volunteers through a strong network of local campaign coordinators (middle managers).

By keeping their focus on the elements of cascading change that matter most—thereby preserving scarce resources—companies will increase their chances of success. We call this focus *minimum sufficiency*: doing enough to succeed but not more than necessary.

The Process of a Cascade

For change to cascade in an organization, its leadership must be truly aligned and must clearly and respectfully communicate the need to change to employees, as well as solicit their feedback.

Leadership Alignment. Leaders are role models. If they try to fake leadership alignment, employees will pick up on it and the change will derail. In order to drive success, leaders may need to change how they behave. They may find the process uncomfortable if they have never been accountable for cooperative goals beyond their line responsibilities. In the words of Mahatma Gandhi, executives “must be the change you want to see.”

Unfortunately, many companies “pass Go” before leaders are aligned. Personal agendas override corporate goals and mistrust spreads. Leaders frequently need to “go slow to go fast” by asking a few probing questions: Are leaders really aligned? Would they describe the company’s goals and the means of achieving them in the same way? Can they clearly articulate the required leadership behaviors?

Employee Engagement. A cascade is the best way to ensure that the vision, expectations, and responsibilities are fully debated and embraced by the organization. In its absence, employees frequently do not understand the need to change, are not given clear guidance on their new roles, and have little say in design and implementation. Conflicting signals tend to fill the void. Leaders can change the game by orchestrating a cascade of communication, feedback, empowerment, and motivation.

Communication. Traditional forms of corporate communications, such as e-mails to employees and town hall meetings, are important but insufficient. Managers need to have one-on-one conversations with their direct reports about decisions, directions, and actions. The content of these conversations should be consistent with the overall change program. By spending time individually with each direct report, a supervisor conveys the importance of the initiative and demonstrates respect.

Feedback. Leaders need a structured way to receive feedback from across the organization, while employees need a way to let their leaders know how the change is proceeding and being perceived. Three critical questions must be asked: Has senior management put in place feedback loops to solicit unbiased input from the front line? Are there defined mechanisms to monitor critical change initiatives and the progress of the cascade itself? If elements of a change effort start to falter, does the organization react swiftly to put them back on track?

Empowerment. Leaders need the active participation of employees to bring their vision of change to life. This degree of freedom will vary. As a rule, however, people will accept change more easily if they have a meaningful say in it.

Motivation. People will generally make the right choices if they have the right information, goals, and incentives. Compensation, career tracks, and rewards may need to be adjusted during a change initiative. Motivation should not be just about monetary benefits. Awards, publicity, and promotions can all be amazingly effective, too.

The Practice of a Cascade

So much for theory. Let’s get practical and see how cascading change works in a wide range of settings.

Take the example of a heavily regulated and unionized transport business that was preparing for yet another restructuring. This time around, the company was determined to get it right. Senior managers devised an extraordinary outreach, which included 5,000 one-on-one meetings. In these meetings, supervisors explained the need for change and assigned new roles.

After these conversations among managers at each level, the leaders systematically sought feedback. At one level, they uncovered a fading of the key message, prompting them to provide support to managers in order to reinvigorate the cascade. Leaders at the lower levels offered upward feedback about employees’ reactions to layoffs and whether midcourse corrections were warranted.

The effort paid off. A survey of employees showed that 85 percent felt better about this restructuring than they did about other such initiatives in the past. Importantly, this alignment has helped the company meet its financial targets.

In another recent example, two European banks needed to combine two very different cultures. One bank was skilled in direct sales, whereas the other focused on traditional branch banking. The merger's success hinged on the ability to integrate the two cultures.

The management board first needed to agree on the key desired behaviors of the new organization and their consistency with core values. The organization's top three levels met quarterly to ensure that they were in alignment and to track the progress of the transformation. In order to cascade these behaviors beyond senior management, the bank tailored training to the specific challenges of each level of the organization and developed tool kits to help convey each core value.

Altogether, the changes touched 14,000 employees. To ensure that the changes took root, the bank built behavioral expectations into performance reviews. Since the merger, it has tracked both employee engagement and customer attrition, and scores in both domains are strong. The bank is also ahead of schedule in reaching its financial and head count targets.

Finally, a global pharmaceutical company used a cascade to generate more than \$1 billion in earnings improvement—with more to come—in the face of large regulatory, legal, and competitive challenges. The restructuring required the total commitment and participation of senior executives. One executive-committee member relinquished substantial day-to-day responsibilities, devoting well over half of his time to orchestrating the change cascade. The rest of the senior leaders participated in cross-functional teams responsible for delivering concrete results. The senior leaders used so-called belief audits and other tools to uncover points of

agreement, misunderstanding, and misalignment. They delayed starting projects until they had alignment, used contracts and charters to crystallize agreements, and relied on program management techniques to create transparency and measure results. This discipline about alignment, goals, and progress existed throughout the organization.

Change management needs to change. Most models are broken. It is time to stop rolling the dice on change and start to cascade.

Peter Tollman
Rolf Bixner
Perry Keenan
Kimberly Powell

Peter Tollman is a senior partner and managing director in the Boston office of The Boston Consulting Group. Rolf Bixner is a senior partner and managing director in the firm's Amsterdam office. Perry Keenan is a partner and managing director in BCG's Chicago office. Kimberly Powell is a principal in the firm's Atlanta office.

You may contact the authors by e-mail at:
tollman.peter@bcg.com
bixner.rolf@bcg.com
keenan.perry@bcg.com
powell.kimberly@bcg.com

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