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To help you achieve measurably faster, better and more sustainable results we have taken this opportunity to formalize our core strengths into what we call the Collaborative Business Experience.

Our clients tell us that what makes Capgemini different is the unique, collaborative way in which we help them take advantage of opportunities and solve their problems. Collaboration has long been a recognized cornerstone of our approach to business and is part of our DNA. We believe that success and collaboration go hand in hand and we have been a pioneer in developing collaborative practices such as our innovative Accelerated Solutions Environment (ASE), which helps companies create rich strategic and technology solutions in record time.

Why do we place so much emphasis on collaboration?

We believe that collaboration is the business imperative of our time. For a decision to be both relevant and effective in today's complex and unpredictable environment, few companies can succeed alone.

In our work with thousands of the world's best companies we have found that there are four key elements to successful collaboration: Targeting Value, Mitigating Risk, Optimizing Capabilities and Aligning the Organization. However, Capgemini's Collaborative Business Experience is not a one-size-fits-all approach. The more complex the challenge and the situation, the more collaboration is required. We adapt the level of collaboration based on the nature of your needs and complexity.

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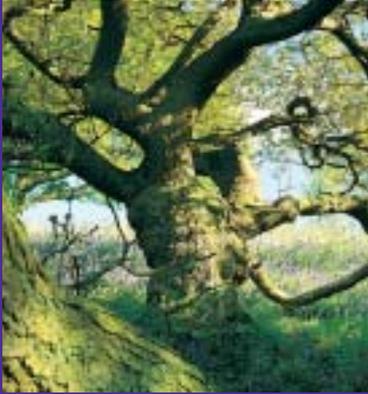
Successfully shaping changes

Change Management 2003/2008

Significance, strategies, trends



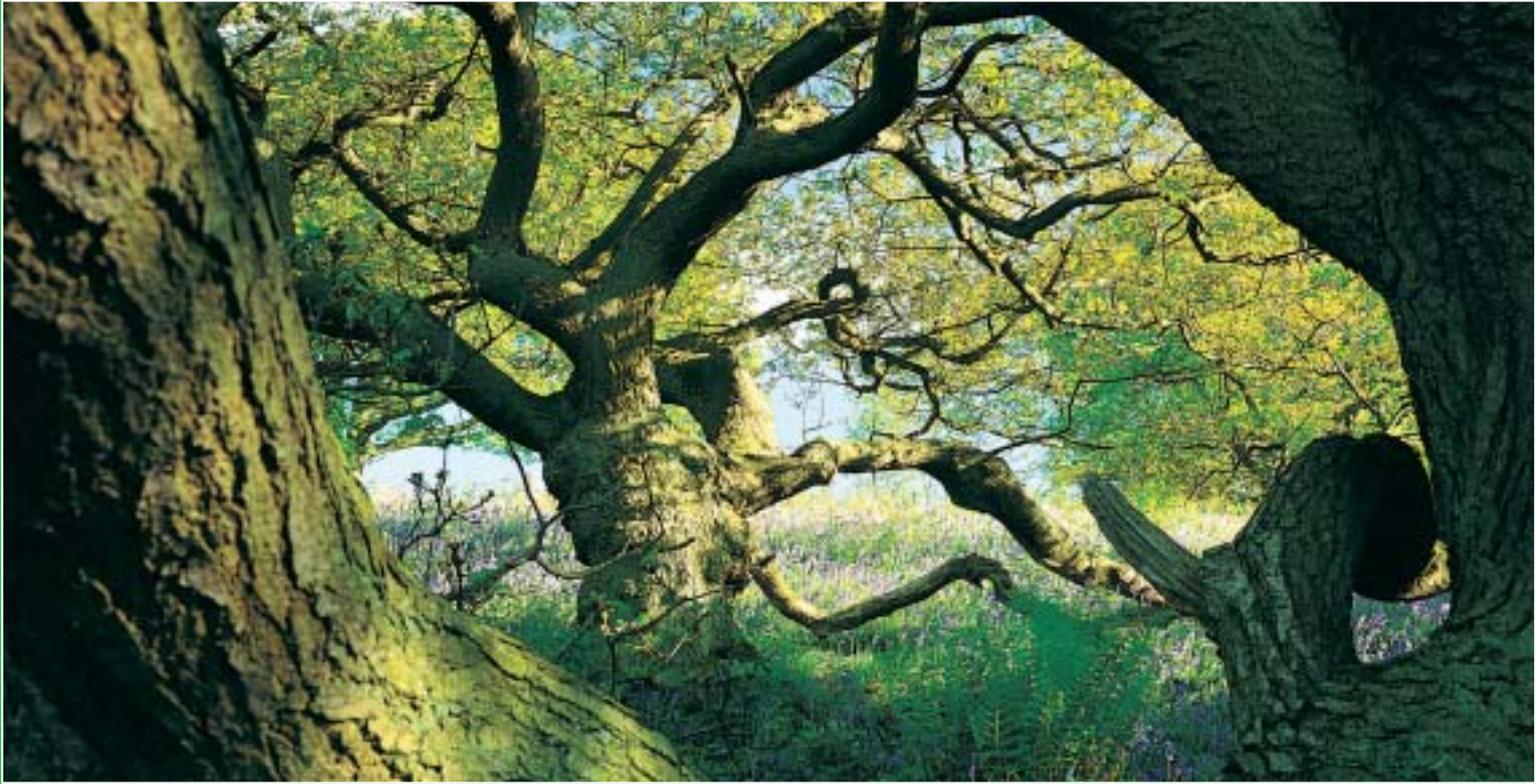
CAP GEMINI
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"Whether a change process succeeds or fails depends on the behaviour and the attitude of those involved. This is why soft factors need to be attributed just as much significance as facts. If the business units affected shake their heads or even laugh about the project and the players involved, then the intended change will basically have to be fixed from the ground up." (study participants)

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I. Change management is in demand

Change management is dynamic

Changes have become an ongoing accompaniment, and often even an active driver, in business life: as the result of changes in strategy, changes as a consequence of restructuring, changes as a result of company mergers, and finally changes through external influences such as the Euro not long ago, International Accounting Standards and credit requirements from Basel II these days or as a consequence of technological innovations on an ongoing basis. This is why the expression "the only constant is change" describes so vividly how change management basically resists fluctuations in economic cycles. There is always something to change in companies, no matter whether the overall movement is upwards, downwards or sideways. The phases of calm that many people long for are a thing of the past. Someone who is willing and able to adapt smoothly to new situations and constellations is considered successful, and celebrated with adjectives like flexible, adaptive and dynamic.

Change management is in style

They may not be at the very top of the bestselling business book lists, but they're not far from it - books about the multiple dimensions of change management: in the recent past with a touch of vision, often with a dash of esotericism these days and in the near future perhaps with a bit of structure. Change management is booming. There's hardly an issue of the Harvard Business Review or other business journal and magazine that doesn't make a theme of actively shaping large-scale changes. Conferences and meetings are held on the topic, and training companies offer workshops and seminars using all possible channels. Even the most renowned management consultancy - until recently hardly interested in implementing their concepts - is by now filling out their team with specialists "in implementation". Publishing companies and authors, trainers and consultants have always been quite attuned to the hottest trends in management.



Change management is business

By now, the professional design of change processes has become a significant market with attractive growth rates. From individual senior consultants to system based consulting boutiques to multinational consulting groups, players are crowding onto a market that is hardly transparent and not much analysed. Myriads of specialists in coaching, training, communication can be added to the list. They all serve the varied tastes of their customers - who are not always sure of themselves. When you get down to it, any change initiated within a company or by an external party is a Change with a capital c. Given the increasing pressure that time and implementation results be on time and in budget, the leeway is decreasing in which resistance can be countenanced or put up with. Professionally "managing away" barriers and ditherers is in demand - in a word, change management.

Limits to resilience?

It is also undisputed, however, that many employees would actually prefer less dynamics and more constancy in their companies. A well-known overhead slide from manager seminars in the 1990's ("the only person who likes change is a wet baby") was not that wrong after all. As the working day simultaneously speeds up and compresses, substantial groups have reached the limit of their socio-psychological resilience - or in fact have already gone beyond it. In the constant alternation between major economic paradigms such as centralisation /decentralisation, focus /diversification, insourcing /outsourcing, an individual frequently no longer knows what is en vogue just now and what that means for him specifically. This confusion is increased when change processes are not completed. Who cares about yesterday's change

when a much more important change is now engaging all one's faculties and tomorrow's change can already be perceived on the horizon? Only a devotee of cyclical images of the world can still observe this in a relaxed way: everything returns sometime. And in fact, this is all the more likely to happen as developments speed up: just recently central, now for a change decentralised and tomorrow central once again. Just yesterday focussed, today once again diversified and tomorrow focussed again. Yesterday we still did it ourselves, today we purchase externally for a change and tomorrow once again doing it ourselves. This accelerated change also has known advantages and disadvantages. Change at least has the purpose of not allowing movement and effort to flag within a company. For a snapshot, however, such equanimity is too little. Change and thus adaptation to what currently dominates is necessary. This can be quite demanding.





II. Background of the study

Objective

Considering the relevance of the topic, it is astonishing that there have been no comprehensive change management studies in German-speaking countries. The theoretical and practical analyses are limited to certain change causes (e.g. post-merger integration), certain change areas (e.g. analysis of individual industries), certain change effects (e.g. socio-emotional effects on employees) or certain change instruments (e.g. effectiveness of individual methods).

With the study conducted jointly by Handelsblatt (Germany), Standard (Austria), Handelszeitung (Switzerland) and Cap Gemini Ernst & Young - "Change management 2003/2008 - Significance, strategies, trends"- data on the current situation of large companies in Germany, Austria and Switzerland was gathered.

The focus was on:

- Understanding of and attitudes towards change management
- Reasons, instruments and players in change management
- Organisation of change management
- Cost /benefit measurement of change management
- Typical implementation barriers and key success factors

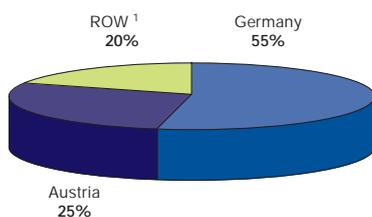
Parameters of the study

The study is based on a written survey of managers from major German, Austrian and Swiss companies held in July/August/September 2003. With a total of 91 questionnaires - including nine companies listed on the DAX 30 - the return rate was more than 20 percent. Given the demanding and time-consuming questionnaire, this is quite a substantial value. Management consultants from Cap Gemini Ernst & Young developed the study concept, analysed the data and illustrated the results in coordination with the three media partners.

Change management and the associated thematic areas are not clearly defined, neither in theory nor in practice. Just defining the subject leads to diverging associations and perceptions. For this reason, extensive pre-tests in several iterations were held with management to dissect and optimise the questionnaire. The result was certainly a demanding and time-consuming yet comprehensible questionnaire for a written survey, enriched by the ideas from the pre-tests. It consisted of a total of 15 question complexes (up to five sub-questions; both closed and open answer categories). This enabled us to keep the rate of "missing answers" very low, even for difficult questions.

Figure 1: 80% of the participating companies have their headquarters in Germany or Austria

Headquarters of participating companies



¹Rest of World (50% with Headquarters in Switzerland)

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Structure of the companies surveyed

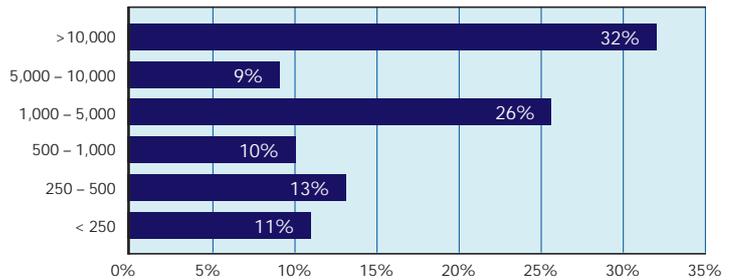
The companies originate across the entire range of German, Austrian and Swiss business; only the public sector was not analysed as its change orientation is only picking up gradually. More than half of those surveyed come from companies with a German parent company. One quarter work in companies with Austrian headquarters. The remaining participants work for companies with parent companies elsewhere, half of which are from Switzerland (Figure 1). As the Swiss results were usually not statistically significant, this study concentrates on German and Austrian companies.

The focus is on **large mid-sized to very large companies** (Figures 2 and 3); smaller mid-sized companies were not studied. For the purpose of further analyses, the companies were divided into three size clusters (L - XL - XXL); banks/insurance companies were categorised using only the headcount criterion. In accordance with national economic structures, XXL companies dominate in Germany and L companies in Austria.

- L: turnover <€ 1 bn. and number of employees < 5,000
- XL: turnover > €€ bn. or number of employees > 5,000
- XXL: turnover > € 5 bn. or number of employees > 30,000

Figure 2: Two thirds of the participating companies generate revenues of over one billion Euro ...

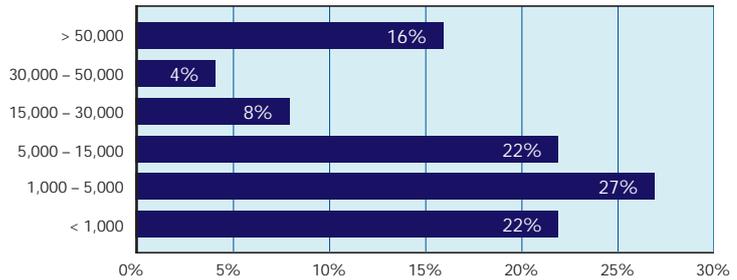
Classification of participants by revenue (in € mil.)



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Figure 3: ... and half of the companies surveyed have more than 5,000 employees

Classification of participants by headcount

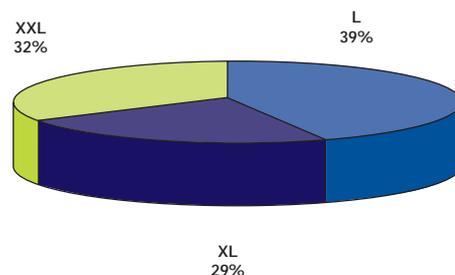


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Figure 4: Based on their size, the companies were clustered into three groups: "L", "XL" and "XXL"

Clusters of participants by size ¹

Distribution of all participants



¹Cluster logic:
 L: revenues < EUR 1bn. and headcount < 5,000.
 XL: revenues > EUR 1bn. or headcount > 5,000.
 XXL: revenues > EUR 5bn. or headcount > 30,000.
 Banks were categorised exclusively based on the headcount criterion.

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The distribution of **companies by industries** shows the known structures in overview (Figure 5). Unfortunately the results for some industries (chemicals/pharmaceuticals/life sciences, electronics/high tech/IT/software/telecommunication, and energy/utilities) were statistically insignificant, which is why this study concentrates on observable differences between economic sectors. Whether the company was listed on the stock market was also captured (38%), but a differentiation of the results according to this parameter did not result in any significant results.

The analysis is representative as regards the companies' structures.

Structure of the individuals surveyed

For studies with a clear thematic focus, it is usually easy to identify the appropriate individuals to interview in a company, whereas it is not easy to find the respective "right" contact for change management. Basically, however, any responsible manager nowadays is both player and consumer of change processes on an ongoing basis. What is thus important for the quality of the results is that the questionnaires were answered by experienced decision makers in the company. This was achieved through a careful address selection in coordination with the media partners Handelsblatt (Germany), Standard

(Austria) and Handelszeitung (Switzerland) and through personal letters.

Most answers come from managers in line functions, many of whom are in HR (Figure 6). Of the participants, 16 percent work at board level, 29 percent at the second management level and 33 percent at the third management level. Only a small proportion of those surveyed (7%) are currently active as project managers. One out of seven people interviewed (15%) works in other functions, usually in a staff function. The length of time spent working for the company, which was also captured, showed few participants who had been working at their company for only a short time; most answers are based on many years of knowledge of their own organisations (almost half with company experience of ten years and more) (no figure).

Thus the study can also be characterised as representative in terms of the structures of the participants. It does not analyse the attitudes and assessments of internal change experts or external change consultants, but rather the appraisals of experienced decision makers "at the forefront" of change processes.

Figure 5: The study covers a wide range of industries

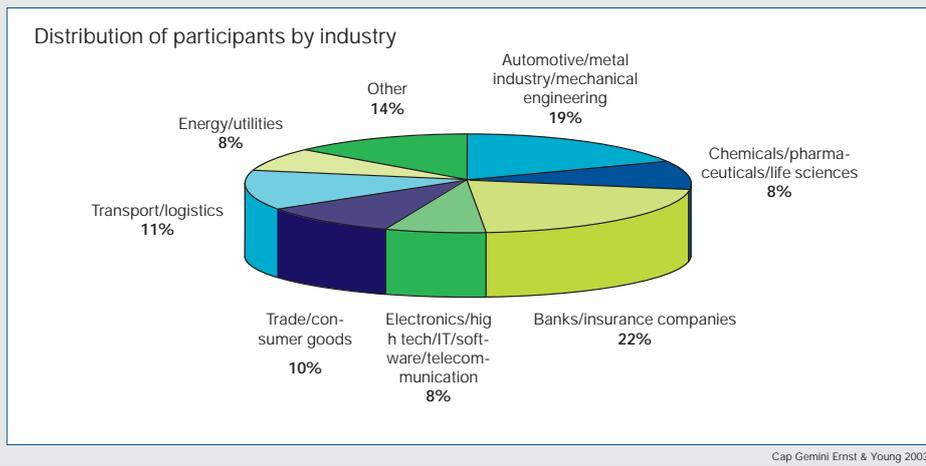
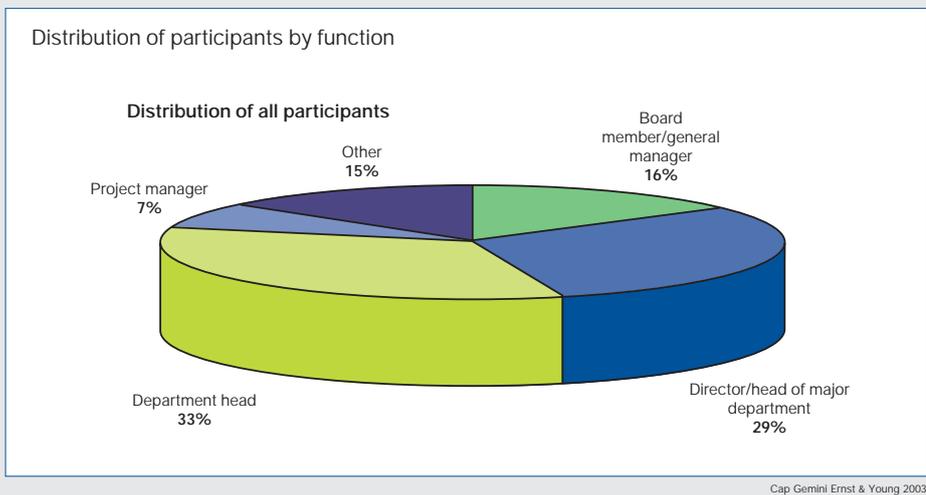


Figure 6: The questionnaires were answered by the functional managers directly in charge of change management topics



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III. Significance of change management

In the HR strategy study conducted by WirtschaftsWoche and Cap Gemini Ernst & Young in 2002, change management already finished at the top of the list of significant personnel issues for the present and the future. In this study, too, the high significance of the topic is clear. By 2003, 89 percent of those surveyed accorded change management an "important" or even "very important" role. Only few managers consider the topic "less important"; no one at all categorised it "unimportant" (Figure 7). Many participants in the study increase their assessment of its importance by one level when they look ahead into the future; hardly anyone sees its significance decreasing. In the year 2008, an impressive 97 percent of those surveyed expect a significant role for change management in the canon of operational tasks. This makes it clear: change management is one of the central management tasks.

A greater significance of change management can now be observed in XXL companies. In the future, change themes will also have a very high significance in the two other size clusters (no figure). Taking a look at industries (Figure 8), change management is categorised across the board as "important" or "very important". In some sectors (e.g. retail/consumer goods and banking/insurance), one out of five managers still sees a "less important" role. These cautious appraisals also fade away, however, when you look towards the year 2008 (no figure).

Figure 7: Already today, change management is attributed a high significance – and its importance will continue to grow in the future

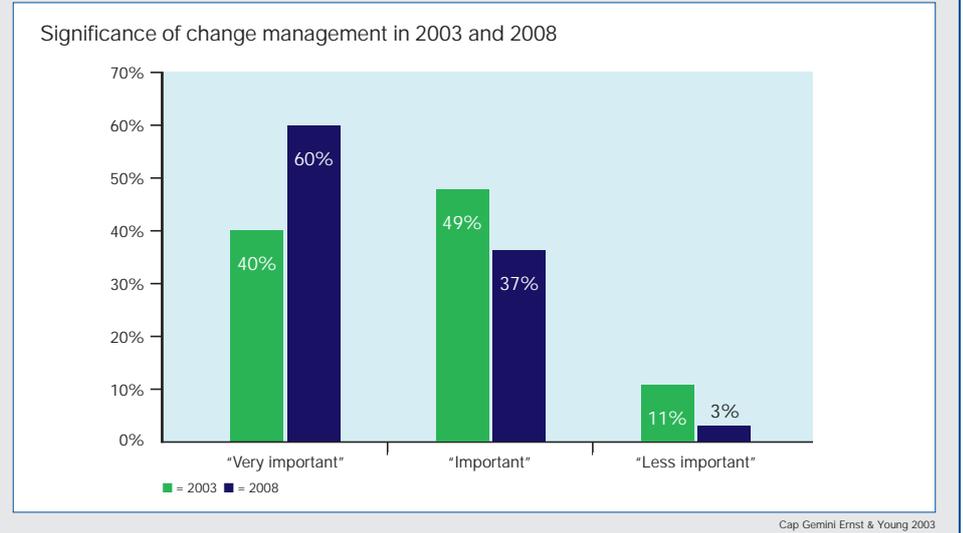
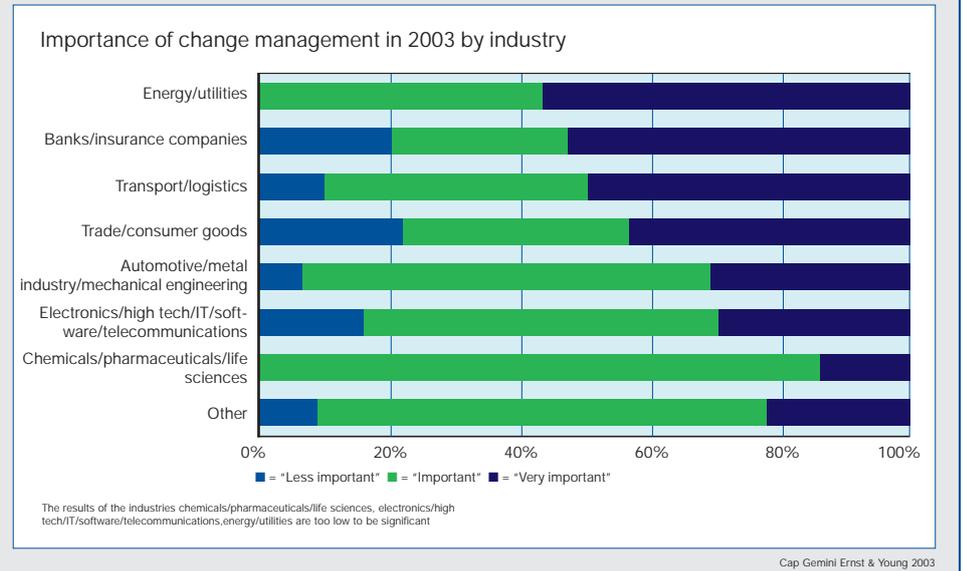


Figure 8: In all industries, 80% and more of the managers attribute high or very high importance to change management





IV. What is change management?

Definition of change management

Change management has become a classical term in management theory; years after it first cropped up and apparently far into the foreseeable future, it will enjoy unbroken up-to-dateness and relevancy. At first glance, it seems clear: change management is "a central element of implementation" and implies "managing changes" and "designing transformation". Something like that, at least! If you look more closely, however, the term's many facets become clear. When looking for "queriable" definitions for this study, the fuzziness quickly became apparent. Many standard works on the topic seem to wriggle around when it comes to defining terms. A more in-depth look into the comprehensive literature, even the substantial amount that can now be found on the Internet, confirms a lack of a generally accepted definition. Instead, unusual aspects are emphasised and specific dimensions focussed. Change management comprises the most varied theories and approaches, processes and methods. They can all reflect only part of the problem landscape of complex change processes in practice. This leads to the fact that even experts - and experts were surveyed in this study - understand highly varied ideas under the term change management. In real life, on the other hand, it's very easy: change management is defined as that which is organised under the label change management: mobilisation & communication, stakeholder

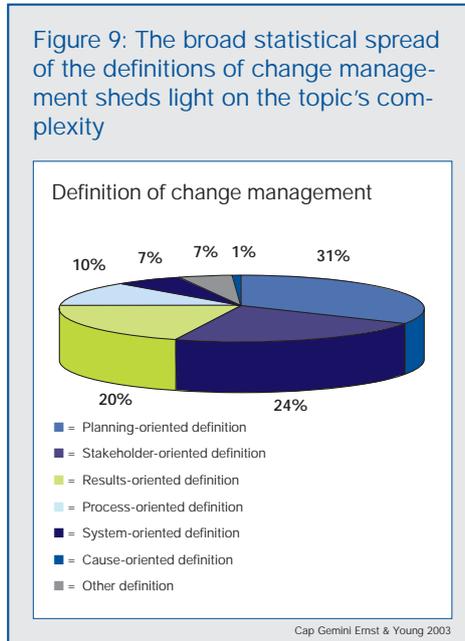
management, training & coaching and the like (see Chapter VII).

Thus a first objective of this study has been to analyse the understanding of change management. Those surveyed were requested to define change management concisely way in one sentence. In so doing, we consciously chose not to give pre-formulated suggested answer categories (= definitions "from the literature"). In addition, an open answer category was provided so that those surveyed could formulate personally relevant aspects (= practical perspectives). The definitions provided show certain similarities, for instance change management's process character and goal orientation. They can be distinguished, however, in terms of their basic tenor, though the total of six variations cannot be separated clearly and accurately:

- Process-oriented definition: change management is a continuous process to ensure change results (planning - implementation - stabilisation - controlling). It is more than a one-off activity.
- Results-oriented definition: change management is the active and managed support of change processes with the objective of achieving business objectives and results.

- Cause-oriented definition: change management eliminates the causes of resistance to change and thus goes beyond merely eliminating symptoms.
- System-oriented definition: change management is the aggregation of processes, instruments and techniques with the intention to ensure the intended change results.
- Stakeholder-oriented definition: change management is the organised and systematic approach to dealing with changes from both company and employee perspectives.
- Planning-oriented definition: change management is a planned process to change the culture, systems and behaviour of an organisation with the objective of improving the efficiency of the organisation in problem solving and target attainment.

In our experience, there is a very heterogeneous understanding of terms in practice. Change management is understood by decision makers in highly varied ways, and thus a broad scattering can also be observed in their answers (see Figure 9). Most of those surveyed went along with the planning-oriented (31%), stakeholder-oriented (24%) or results-oriented definitions (20%).



Besides the six pre-set definition possibilities, an open answer category was provided. In this category, it was possible to provide individual definitions of the term ("For me, change management is ..."). Seven percent of those surveyed took this opportunity, whereby the definitions, some of which were quite extended, usually revert to central elements of the definition options provided. Important supplements were on the one hand classical concepts like "systemic intervention", "efficient implementation" and "learning organisation". On the other there were newly created concepts such as "intended holism" or catchy simplifications such as "taking soft factors into account" and "sensitising management for non-specialist/technical aspects". There was no case where a definition was quoted "from the literature". Thus the conclusion: There is no generally recognised definition of change management. The understanding of change terms is determined by aspects relating to the situation, the personnel and the theories; they must be redefined and captured for each specific change.

Theories, approaches and concepts for change management

The topic of change management has been handled in the academic literature in highly varied ways and with different approaches over the course of decades. On this basis, you could surmise that you simply need to come up with appropriate blueprints for operational change processes in the literature and can then apply them one to one. The results of the study show quite spectacularly that this is not the case (Figure 10). Two thirds of those surveyed do not favour any specific change management approach in practice. Fewer than 20 percent each favour one specific change management approach or a combination of several change management approaches.

Even for the one third of managers surveyed who do orient themselves towards existing theories, approaches and concepts of change management, not one believes that a one-to-one implementation is possible for their individual company (Figure 11). 38 percent carry out "slight modifications" and 24 percent "significant adaptations". For the rest of those surveyed (38%), the favoured approach is at best a "theoretical outline structure". Most of those responsible let themselves be at most inspired by theories in change management, but the orchestration of specific actions is then more the result of experience and knowledge, preferences and aversions, resources and constellations.

As with defining terms, there is significant dispersion and a wide range in the preferred theories, approaches and concepts for change management. A total of 32 different authors and/or providers were listed as "favorites". Some of those surveyed evidently own a comprehensive library on the topic and have attended seminars held by the relevant institutes and speakers. The bestseller in German is by Klaus Doppler and Christoph Lauterburg (Change Management: Den Unternehmenswandel gestalten). From Great Britain and the US, the most popular authors are the

experienced master Kurt Lewin and Peter Senge and John Kotter with their rather different change concepts. Renowned strategy consultants were also named. However, what they claim and what they really do may well diverge significantly for the latter; the most wellknown among them does not score particularly well in the change management competence area.

A not insignificant proportion of those surveyed consider themselves devotees of "systemic" or "cybernetic", "holistic" or "sustainable" approaches. In the German-speaking countries, the trail blazed in change management by the sociologist Niklas Luhmann can be clearly perceived. Even the inflationary use of catchwords like "systemic" cannot shake the impression that some managers may have understood that they operate in a complex world, but not how to master this complexity.

Anyhow, the approaches differ fundamentally in one central issue: Can change processes be planned in advance and steered in a targeted way or is this not possible? Many comments made by those surveyed confirm the dispute known in both theory and practice, where there are two fundamentally opposed positions. The one camp posits - in part still based on Lewin's "unfreezing/moving/refreezing" thoughts - the feasibility of large-scale changes. The other camp - claiming to be more thoughtful - denies this with arguments on the unplannability of social systems, demanding from change management a situational, flexible, adaptive reaction to the spirit of the times and thus a reactive transformation from within. Most recently, these notions ("emergent change") have become quite dominant without, however, being able to provide a specific solution for every practical problem in change management (see Weick or Mintzberg).

Figure 10: Two thirds of the companies surveyed do not follow a specific change management approach

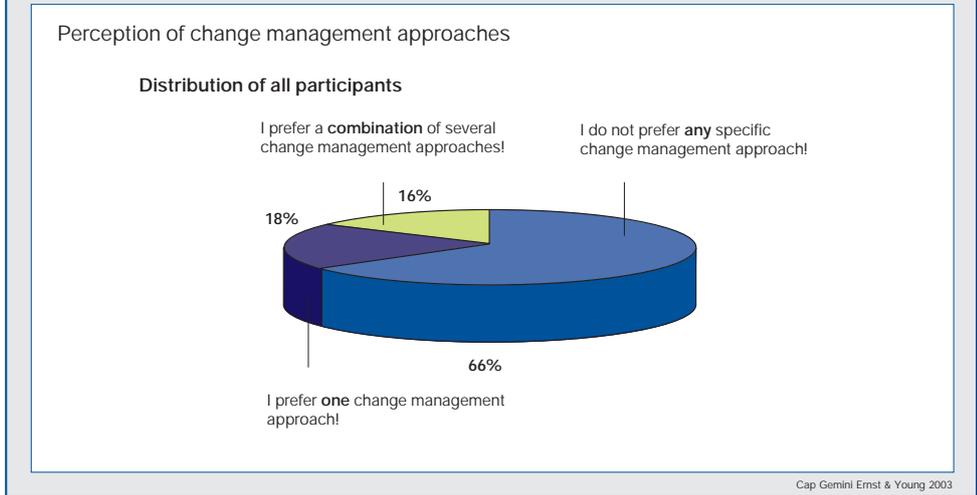
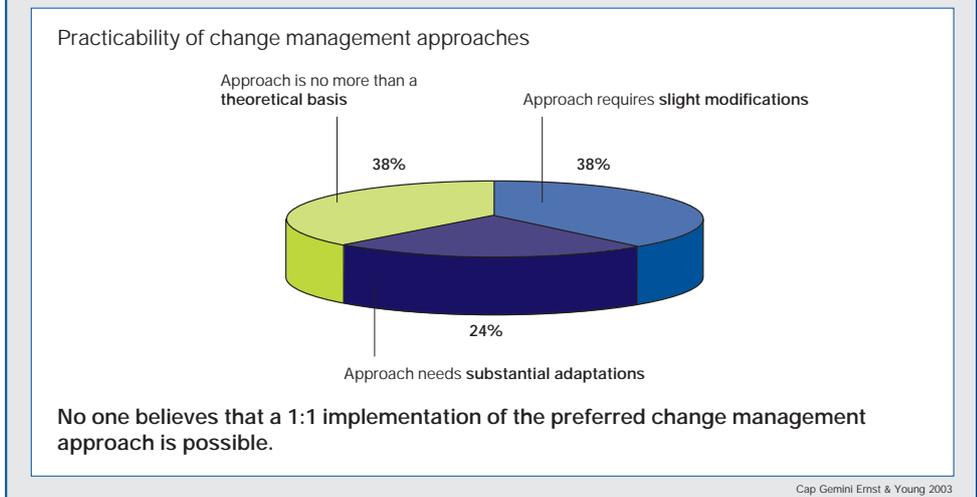


Figure 11: If a specific change management approach is followed, it usually needs considerable modifications to be implemented





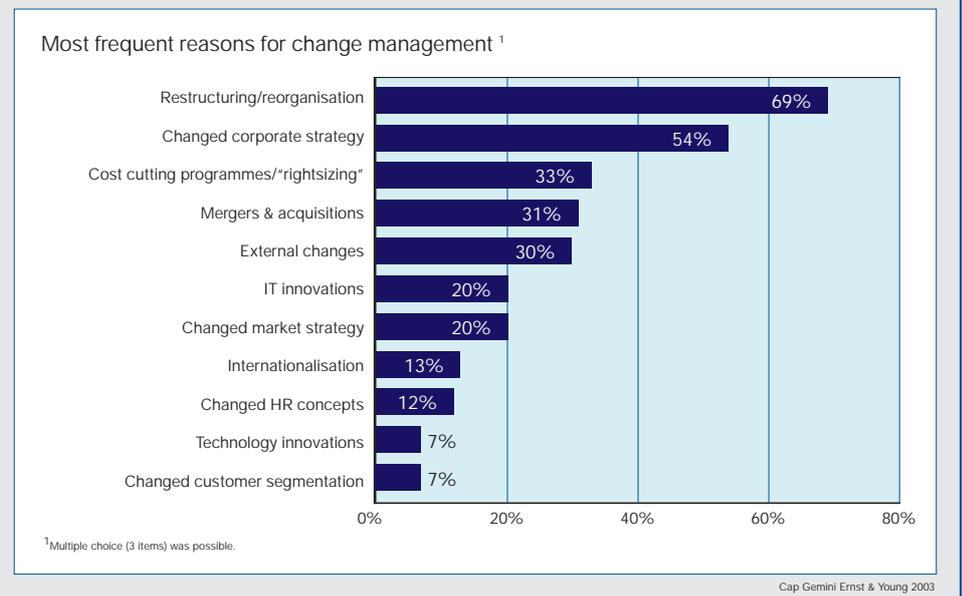
V. When and how to use change management

Reasons for changes in companies

By now, change management is an ongoing task for companies. In short, shorter, shortest intervals, changes take place, sometimes even simultaneously and only occasionally in a coordinated fashion. Ever more often, the next one is being started even before the previous one has been properly completed. It is difficult to maintain an overview of this process. The reasons for change can have the most varying causes - strategic/operational, monetary/technical, endogenous/exogenous, intended/case-by-case, global/partial. Those surveyed were requested to indicate the three most frequent causes for changes in their company since 2000 from a set of eleven different reasons.

Upon reviewing past decades, it becomes clear that the reasons for change in business life are basically always the same. The current ranked list of reasons for changes reflects companies' situation in the first years of this decade dealing with the extensive, ongoing recession (Figure 12). The most significant reason is - by far - restructuring/reorganisation of the company (69%), followed by a changed company strategy (54%) and cost cutting programmes/"rightsizing" (33%). No doubt, just a few years ago mergers & acquisitions (31%) would have been named much more frequently. External changes such as Y2K, Euro, IAS, Basel II or other legal/regulatory stipulations (30%) are also quite a significant cause for changes at compa-

Figure 12: In most cases, restructuring and reorganisation processes are currently giving rise to change management



nies, whereas the more growth-oriented and technology-oriented reasons for change such as IT innovations (20%), changed market strategy (20%), internationalisation (13%), changed HR concepts (12%), technology innovations (7%) and changed customer segmentation (7%) have in recent years more rarely been the reason for transformation in companies. In the medium term, this will no doubt revert.

Even if the reasons for transformation also change, the focus in change management remains on actively shaping this change process; the instruments to be deployed are quite similar in many cases.

Differentiation of the results along the three size clusters (Figure 13) also shows a heterogeneous picture. Four out of five XXL companies have gone through a comprehensive restructuring/reorganisation in the past three years. Almost half were confronted with cost cutting programmes/"rightsizing". More than two thirds of the XL companies developed a changed company strategy. In addition, they were much more frequently subject to external changes than XXL companies. Finally, L companies developed a changed market strategy in significantly more cases than corporate groups. The reasons for change management also reflect the challenges currently being posed to industries (Figure 14).

As a supplement to the question about the three most frequent reasons for changes since 2000, those surveyed were asked in the summer of 2003 about the most important ongoing change in their company. The reactions to this open question were clustered in seven answer categories (Figure 15). Restructuring/reorganisation continues to be management's dominant task. The reasons for this restructuring/reorganisation, however, are broadly scattered. At more than a quarter of the companies, a new definition of the company strategy determines what is currently going on. In one out of seven companies, restructuring/reorganisation is the result of mergers & acquisitions (14%), cost cutting programmes/"rightsizing" (13%), market changes (13%) or the implementation of new IT systems (13%). The company-wide harmonisation of structures, processes and methods is currently the most important topic at one of ten companies.

Figure 13: When results are distinguished according to company size, there are striking differences

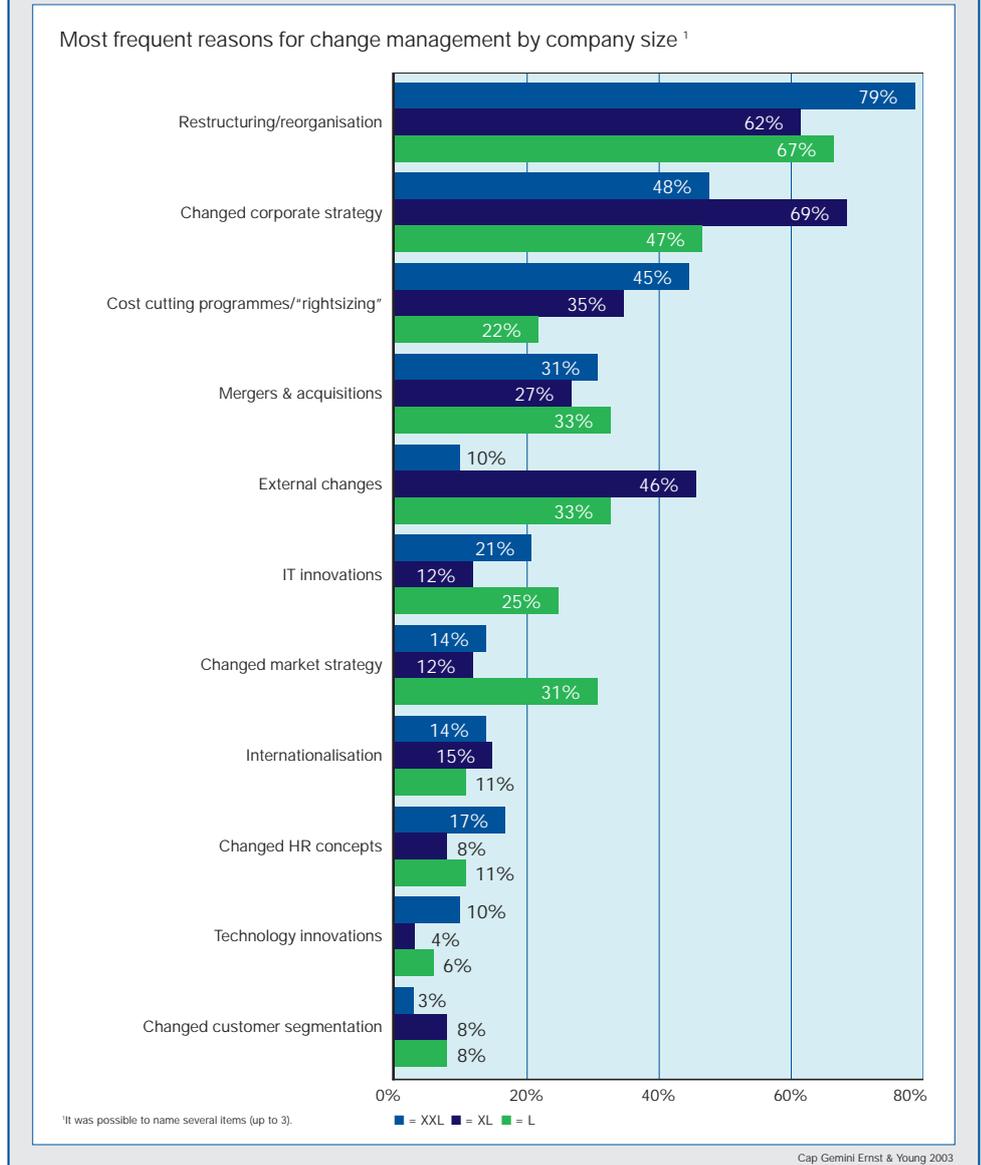


Figure 14: The reasons for change management reflect the challenges currently confronting the different industries

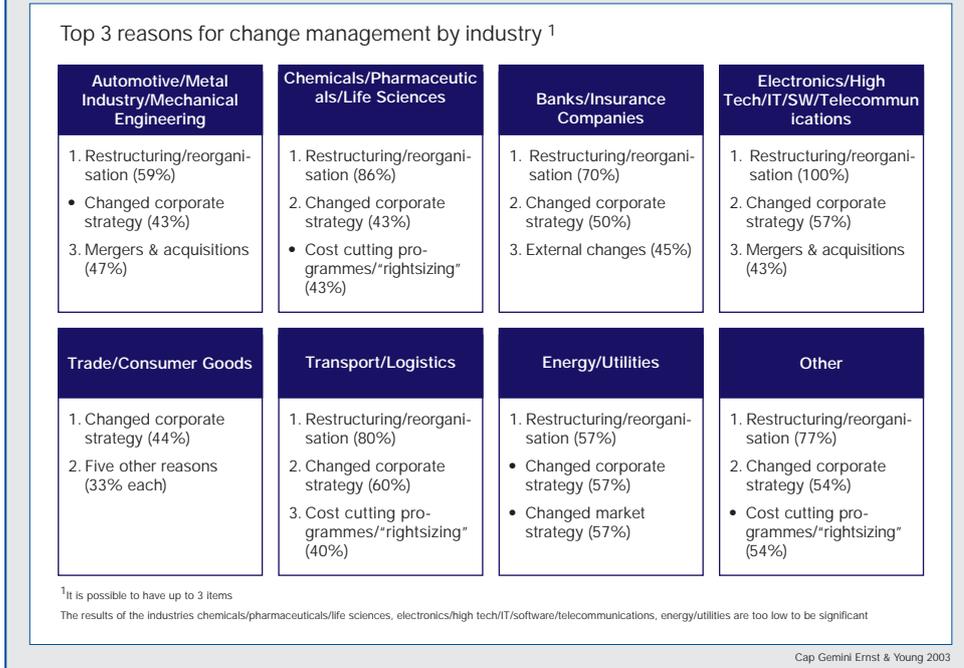
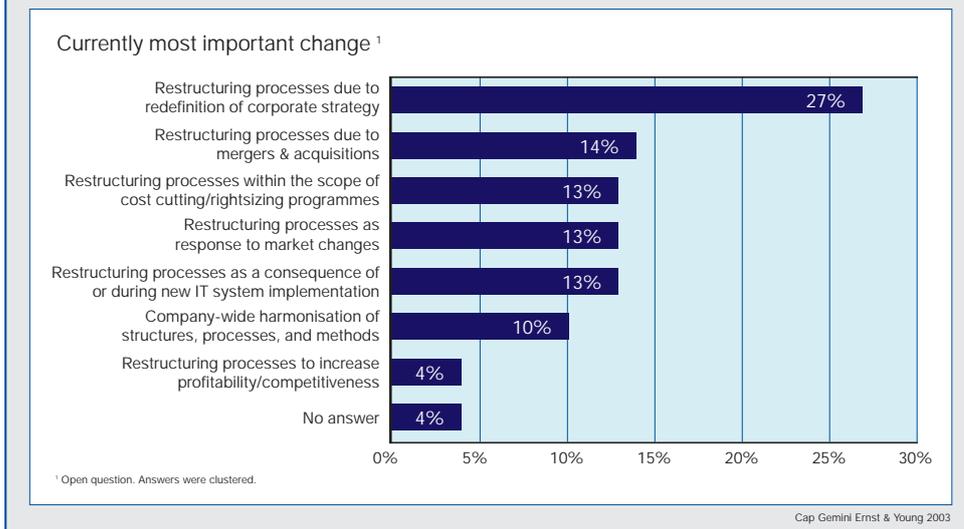


Figure 15: Restructuring due to new corporate strategies is the most significant change within companies in 2003



Use of change management in companies

Changes in companies can also happen by themselves - without actively steered change management. Change management is frequently neglected and missed out on, forgotten and displaced, postponed and delayed. There are, however, many good reasons to consciously carry out change management when there are changes. Those surveyed were requested to indicate the two most frequent reasons for using change management in project and line tasks from a set of eight different arguments. The results of the study are clear (Figure 16). Change management is particularly deployed if positive experiences have already been made in the past with actively designing transformation. Once someone has been convinced by results, he or she will only rarely omit change management for future changes. "Hard-liners", on the other hand, can only be convinced by economic or political facts. Almost 60 percent of those surveyed used change management on the basis of their experience with earlier changes, more than fifty percent on the basis of the decision makers' personal conviction. Three out of ten companies have a relevant value system, and one out of four changes relies on being able to use change management to ensure implementation, given the high time pressure. Purely economic motives (business case) rarely play a role (8-11%), and loudly asserted demands from employees or the works council matter even less (2-5%). The differences between the countries tend to be quite slight (no figure). A differentiation of the results along the three size clusters shows at most slight discrepancies (no figure).

Figure 16: Experience and personal conviction are far more frequent reasons to use change management than "hard figures"

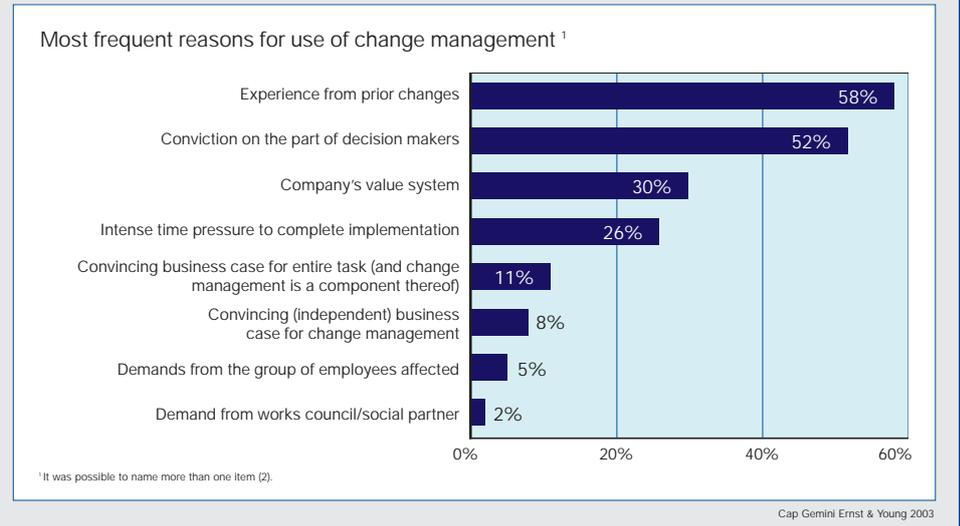
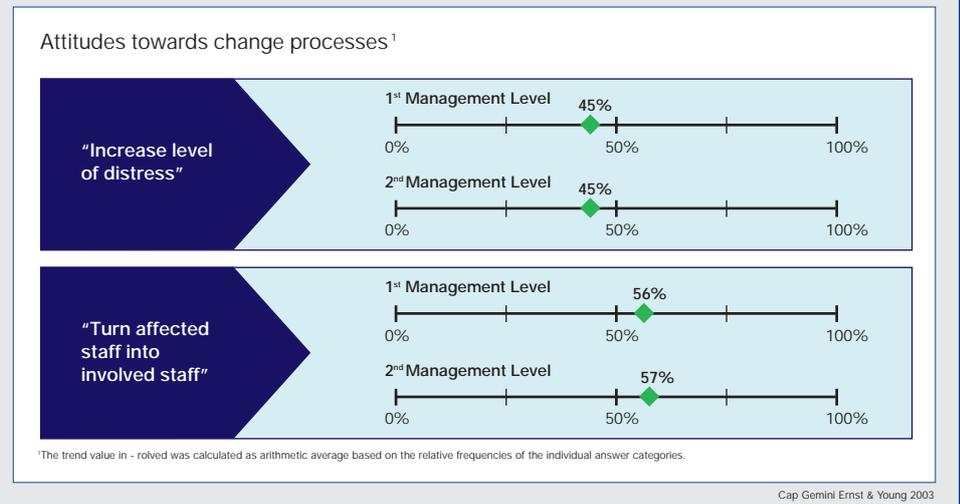


Figure 17: There are two types of executives: "tough guys" and employee-oriented managers



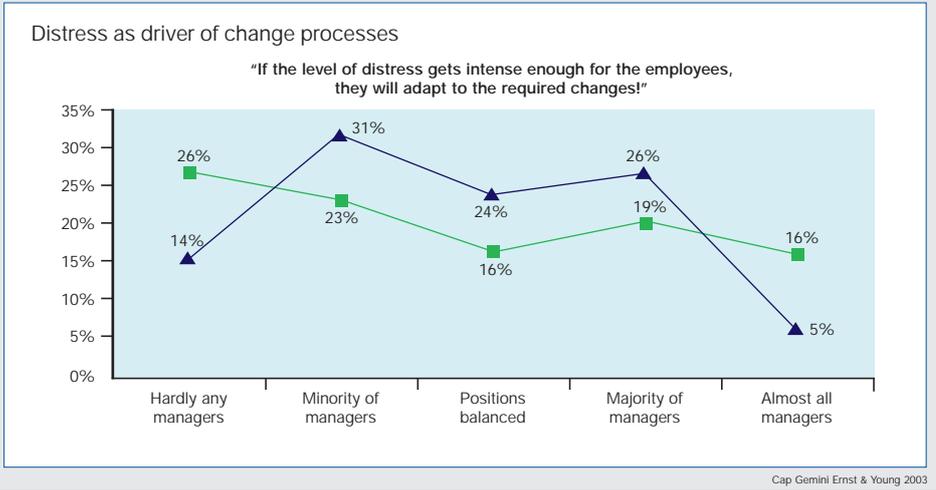
Change in attitude in change processes

The media landscape usually focuses on two different types of managers: on the one hand, the "tough restructuring specialists" and "tough dogs", for whom the employee dimension certainly does not come in first in the ranking list of their priorities. On the other, there are employee-oriented managers who can't do enough for their employees and whose assistant ends up having difficulties identifying enough interested employees for the regular face-to-face meetings.

The belief in how change can be actively shaped is apparently decisively formed by players' previous experience and personal attitudes. In the discussions around change management, two basically diametrically opposed doctrines can be heard in theory and in practice:

- "If the level of distress gets intense enough for the employees, they will adapt to the required changes!"
- "We must turn affected employees into involved employees and actively support the change process!"

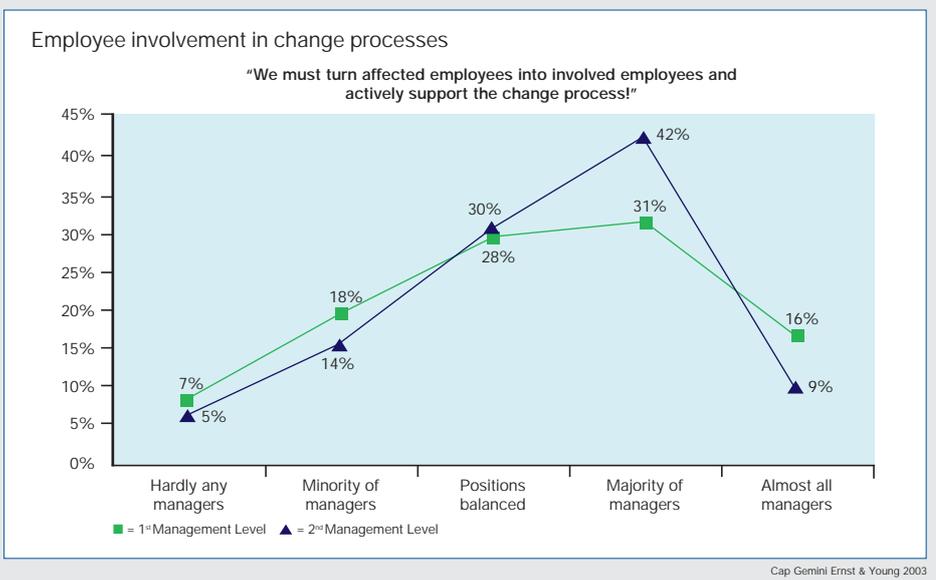
Figure 18: Top management has more extreme attitudes towards change processes than their colleagues at the next lower level



- 60-80% - A majority of managers have this opinion
- 80-100% - Almost all managers have this opinion

For other calculations, the arithmetic mean of the ranges was used (e.g., the value 30% for the range 20-40%). The mean thus reflects the tendency in the perspectives ("increase level of distress" vs. "make affected employees into involved ones"). The oppositeness of the two doctrines can also be expressed by the fact that the indexed averages for the various analyses always added up to close to 100 percent. This shows that there are two groups of managers: "tough dogs" and employee-oriented managers. Neither of them is suited per se to every situation. Some constellations demand clear and sometimes "ignorant" leadership; others necessitate a participatory, perhaps even democratic approach (see Weinert).

Figure 19: Board members tend to hold harder positions than their direct reports



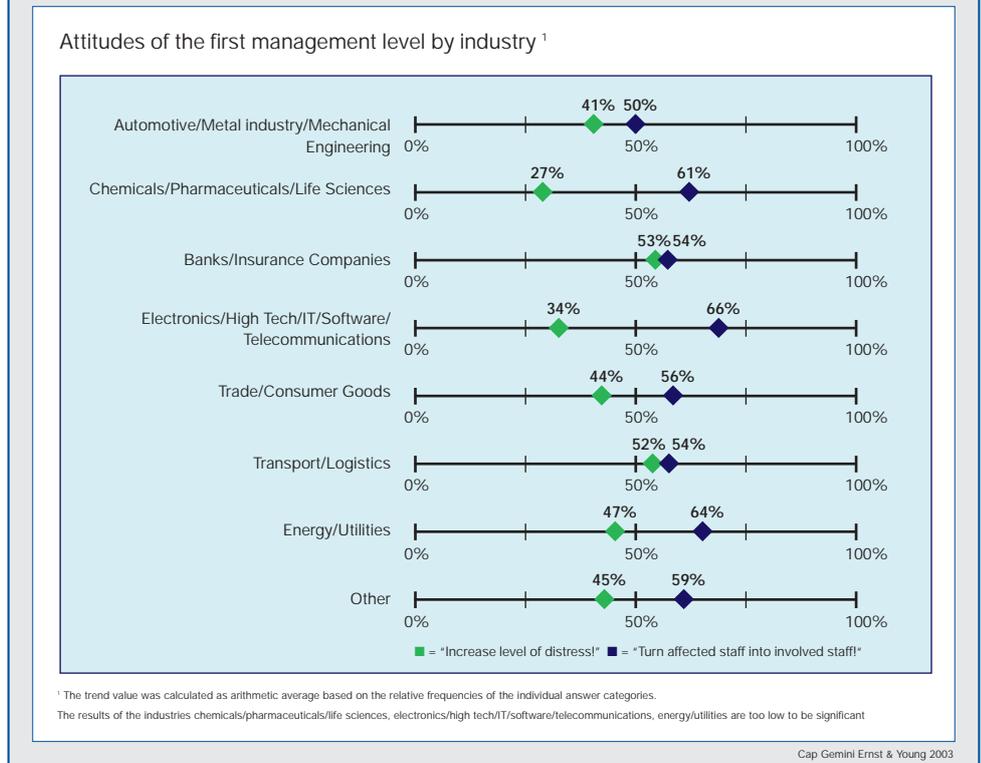
With the "increase level of distress" thesis, there is at first glance no distinction between the first and second levels of management (both average 45%) (Figure 17). In addition to the mean, however, the scattering dispersion of the perspectives was also analysed. This is much higher at the first level of management; they take clearer positions (Figure 18). In many companies the board is either a clear proponent of this attitude (16%) or decisively against it (26%). At the second level of management, the attitudes are a bit of this and a bit of that.

With the contrary thesis "make affected employees into involved ones", the differences between the two management levels are on average also marginal (average 56% vs. 57%) (Figure 17). Here too, board members tend more strongly to one of the two extreme positions, unlike their "direct reports", who tend to favour rather fuzzy perspectives with a tendency towards the employee-oriented perspective (Figure 19).

In the study, those surveyed were asked about their assessment (= "image that others have") of the first and second level of management of their company: "In your experience, what percent of the managers would basically agree with these two views?" Five ranges (by 20 percent intervals) were provided as answer categories:

- 0-20% - Hardly any managers have this opinion
- 20-40% - A minority of managers have this opinion
- 40-60% - The positions in management are balanced

Figure 20: There are clear differences in the attitudes towards change



In real business life, however, a phenomenon of an elegant shift of the "bad guy" role from the top to the middle can be observed in recent years. Often the top two management levels come across both within and outside the company in personal contact with their employees and in the media as quite clever and even accessible. They have shifted - supported by "management by objectives" and "Key Performance Indicators" - the communicating of difficult messages and implementing of unpleasant decisions to middle management levels. Given their inadequate experience and training, however, middle management is in many cases hardly able to carry out this communication in crisis times; they end up running for cover or over-reacting. The attitudes of the top two management levels to the two theses along the three size clusters show a picture that is more homogeneous.

There are also quite apparent differences among the industries analysed (Figure 20). Among the banks/insurance companies and in the transport/logistics sector, the two positions are present at the board level, whereas in trade/consumer goods it seems that a stronger employee orientation prevails. The results of

this study, however, cannot provide more than indications about differences in attitude among different industries, especially since the results of the industry groups chemicals/pharmaceuticals/life sciences, electronics/high tech/IT/software/telecommunication and energy/utilities are not significant and the attitudes within a given industry are quite broad.



VI. Stakeholders in change processes

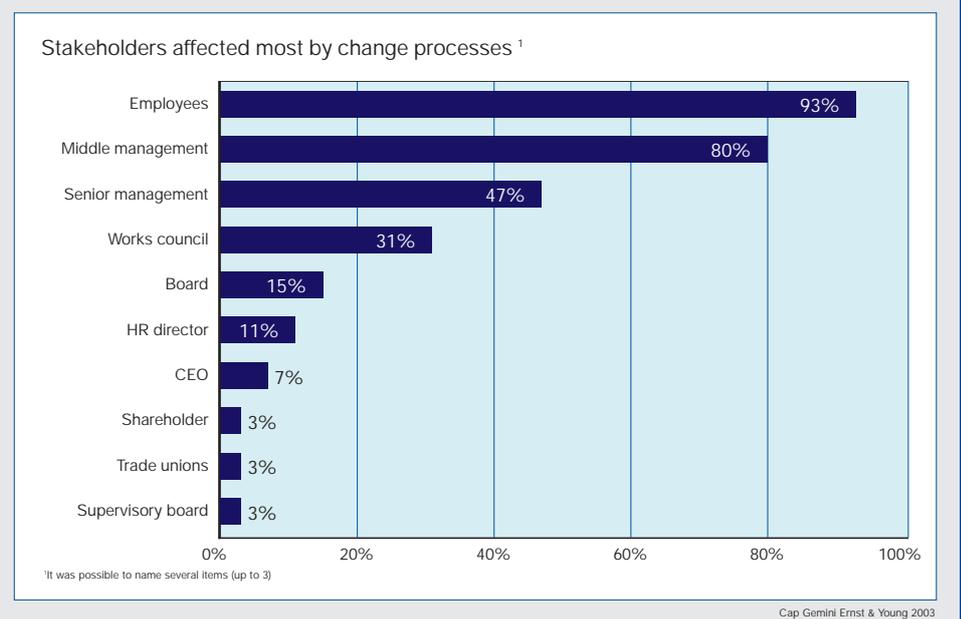
Being affected by changes

Any change in a company is primarily a matter of the affected and involved players, the so-called "stakeholders". As described in the "power school" (e.g. Sandner and Mintzberg), this term can describe all those persons or groups who have specific interests. The best-known stakeholder of the company is the shareholder, whose primary interest is to optimise his yield from a capital investment. The sociological concept of the stakeholder can also be transferred to company micropolitics for change processes. In the stakeholder theory, a distinction is made among three dimensions: (1) salience - degree affected by the change, (2) relevance - significance of the change, and (3) position - attitude towards the change.

With a view to the first dimension, those surveyed identified the three stakeholders most affected by changes in their company (Figure 21). One can observe both a "bottom up" and an "inside out" nature of being affected. In almost every company, employees are affected by changes (93%, in most companies middle management is too (80%). Senior management is only regularly affected by change in one out of two companies (47%) and the executive board only in one out of seven (15%); individual board members such as the HR board member and the chairman of the board even much less (11% and 7%, respectively). The works council

is only regularly affected in one out of three companies. External stakeholders like investors, the supervisory board and unions are hardly touched by transformation within companies. The differences among the three size clusters are slight.

Figure 21: Employees and middle management are the stakeholders most affected by far by change processes



Significance of changes

The picture quickly shifts when one looks at the second dimension, for which those surveyed had the opportunity to name the three most important stakeholders for changes in their companies (Figure 22). While external stakeholders such as unions (6%), investors (7%) or the supervisory board (9%) have low or at most indirect significance, in companies themselves a hierarchical inversion to "top down" can be observed. The most important are senior management (61%), even more than the board committee (54%). Further down the list one finds the employees affected (44%), middle management (39%) and the company's works council (24%). Individual board members such as the chairman (36%) and the board member for personnel (18%) tend to play a rather unimportant role. The weak influence of the HR department in particular shows the currently peripheral significance of personnel issues for company decision processes, as was already observed in the HR strategy study held in 2002 by WirtschaftsWoche and Cap Gemini Ernst & Young.

An analysis of the three size clusters shows astonishingly few discrepancies (no figure). The weighting of the employee representations at XXL companies is also beyond the company borders (trade unions: 17%; works councils: 17%), while in the other two company sizes (XL/L) a purely internal orientation dominates (trade unions: 0%; works council: 28%). There is also a gap when one differentiates according to company size for the two company committees, board and supervisory board: XXL companies (board committee: 45%; supervisory board: 0%); XL companies (56% /8% respectively); L companies (61% /17% respectively). The significance for senior management also decreases in groups, whereas for middle management and the employees it is increasingly significant. Ultimately, HR board members in the groups have a significantly higher weight than their colleagues in XL/L companies (31% vs. 11%), probably supported by the trade unions in many cases.

Basic attitude towards changes

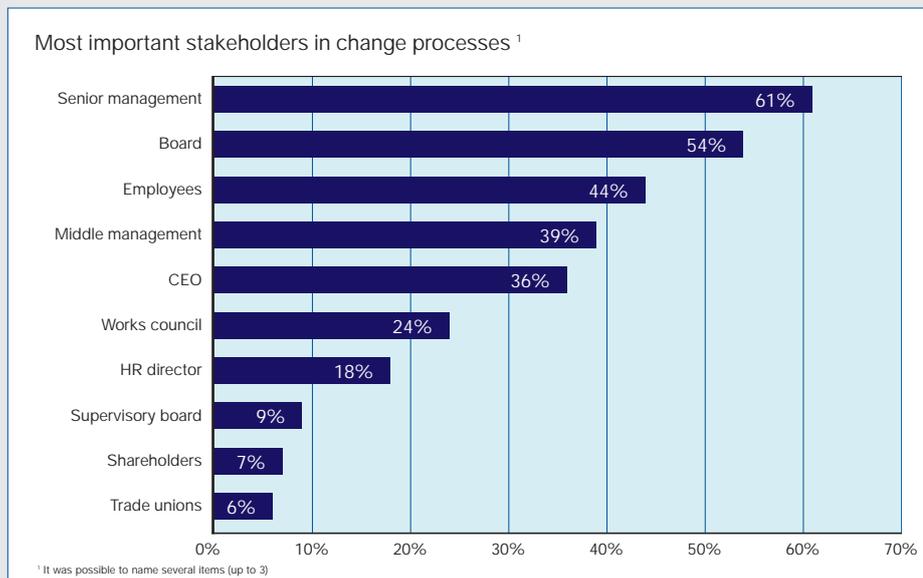
Not every stakeholder appreciates changes in the company. This was the initial hypothesis with which the ten stakeholders' perspectives were considered. Those surveyed were able to characterise the basic perceived attitude towards change (= "how others see change") in three categories:

- "mostly positive towards change" (= 1.0)
- "mostly neutral towards change" (= 0)
- "mostly critical towards change" (= - 1.0)

The results are as might be expected (Figure 23). The higher the degree affected, the more intensely sceptical the basic attitude towards changes in the company. While the chairman of the board (0.86), the HR board member (0.69) and the entire board committee (0.69) consider change basically positive, senior management (0.31) and even more clearly middle management (-0.31) are quite a lot more sceptical about whether everything is on the right track. Given employees' basically negative attitude to change (-0.53), one of the central tasks of change management becomes apparent: to win over an organisation's employees once again for each change. The positive positions of the supervisory board (0.42) and investors (0.39) and the strikingly critical perceptions of the works council (-0.73) and the trade unions (-0.74) correspond to the perspectives one would expect.

The basic attitudes of the stakeholders towards changes in the three different size clusters are not significant (no figure). Change friendliness within groups (XXL companies) is already not very pronounced; it is even significantly lower among senior management (0.21), middle management (-0.52) and employees (-0.64).

Figure 22: But senior management and the board play the key roles in designing change processes



Employees' perspectives

If employees make up the target group most strongly affected by change, but their basic attitude is in principle resistance to change, then their perspectives must be considered more closely. To this end, those surveyed were presented with five attitude patterns that are regularly observed in change projects; the task was to estimate the percentual distribution in one's own company (all five attitude patterns totalling 100 percent). Even though these five attitudes cannot be precisely delineated, they do represent classic ways employees react - from strongly positive to neutral to strongly negative:

- **Enthusiasm:** Personally identifying with the changed way in the future; recognising positive opportunities for development; will to ensure one's own and one's company's survival.
- **Agreement:** Willingness to go along; taking on responsibility; constructive suggestions for optimisation.
- **Neutrality:** Persisting in old structures and behaviour patterns; no action orientation; ignorance of change requirements.
- **Scepticism:** Uncertainty and fears about new ideas; constantly trying to get to the bottom of objectives and approaches; building up a "rumour mill".
- **Refusal:** Consciously impeding decisions; focussing on problems; endless discussions; frequent conflict situations.

With a very low dispersion, the expected normal distribution - learning slightly to the right - can be seen in employees' views (Figure 24):

Few employees in extreme positions ("enthusiasm": 10%; "refusal": 12%) and the great mass of somewhat positive ("agreement": 23%), "wait and see" ("neutrality": 29%) and slightly negative ("scepticism": 26%) in between. There are hardly distinctions among the distributions in the size clusters and industry groups. An additional task of change management that is critical for success can be seen from this result: winning over hesitant employees, making active use of the enthusiastic employees, and finally, if possible, reducing the braking effect of the employees who refuse. Change management always means convincing a large proportion of the employees.

Figure 23: The stakeholders' basic attitudes towards change processes range from extremely positive to extremely negative

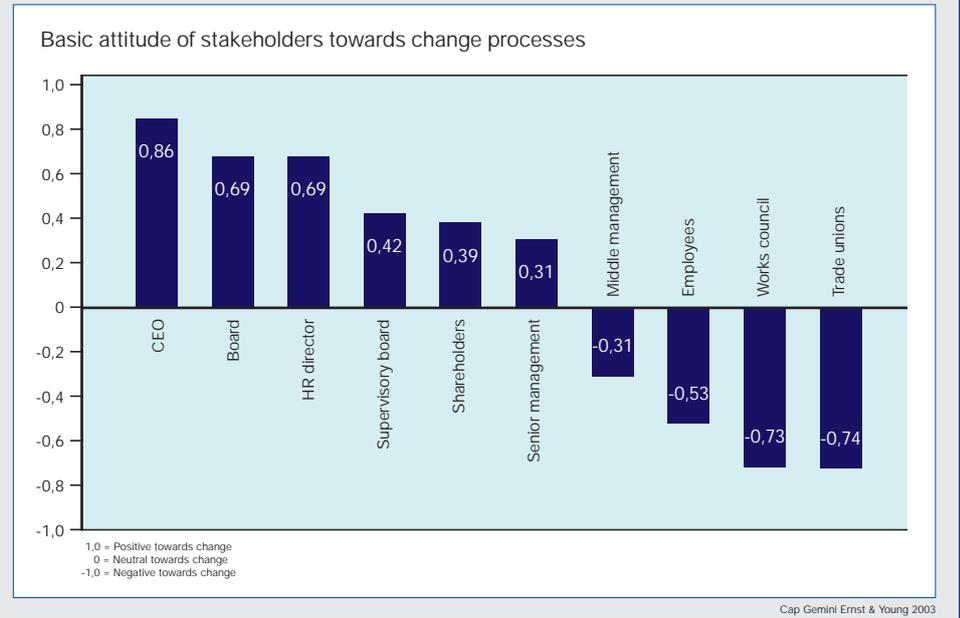
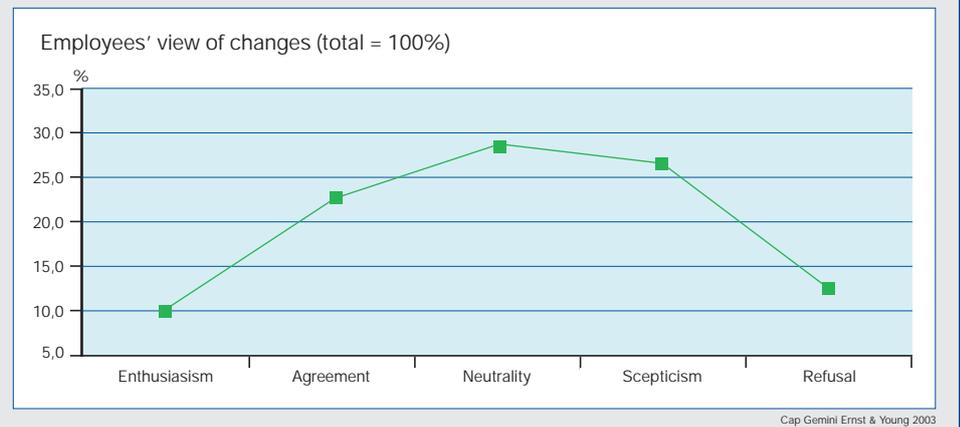


Figure 24: The views of the employees show a normal distribution: few hold extreme positions and many are indecisive



In the process, not all "constant belly-achers" - particularly if they present their resistance systematically and politically - can be included in the same boat en route to an improved future, although in certain textbooks this is described as the desired status (see Sandner).



VII. Change management instruments

Change management = change instruments

All changes in companies affect people who are not light-hearted about giving up what they had in the past and who want to be won over for the new thing. For line and project work, this means actively investing in the supporting process dimension, and not just when times are good. Change management thus means (1) "composing" a catchy melody, (2) selecting the appropriate "instruments" and (3) "conducting" the appropriate musicians. As confirmed once again in this study there is no generally recognised definition of change management - the change design must be redefined and set down for each specific change. In company practice, change management is thus usually whatever is actually done under the label "change management". The activities revolve around two interlinked dimensions (Figure 25):

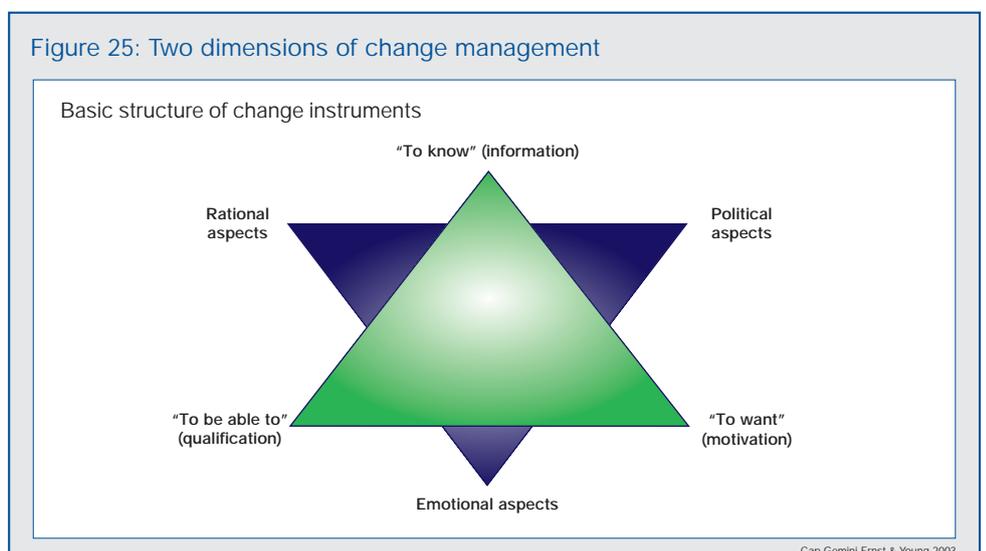
- "to know" (= information) - "to want" (= motivation) - "to be able to" (= qualification)
- Rational aspects - political aspects - emotional aspects

Within the change management framework a great number of instruments are familiar from theory and practice. Listing all "tools" with their numerous facets in different terminology would be an endless exercise. New instruments are named again and again - not always old

wine in new bottles, but usually. From what we are familiar with from many companies and our consulting practice, we have identified a total of 33 instruments with their usual name. Exotic or branded instruments from specialised providers were not taken into account; specific instruments like business theatre or open space were also eliminated. Two further aspects must be mentioned: (1) Of course highly varied activities can be subsumed under one non-specific term, such as for instance "project management", even though one person is thinking in terms of traffic light systems using MS Project and the other of contentious discussions in steering

committees. (2) The activities range across varying levels, from culture management on the one hand to the balanced scorecard on the other. In some cases, they extend far beyond a narrow understanding of change management.

Figure 25: Two dimensions of change management



Those surveyed were asked to answer a total of five questions:

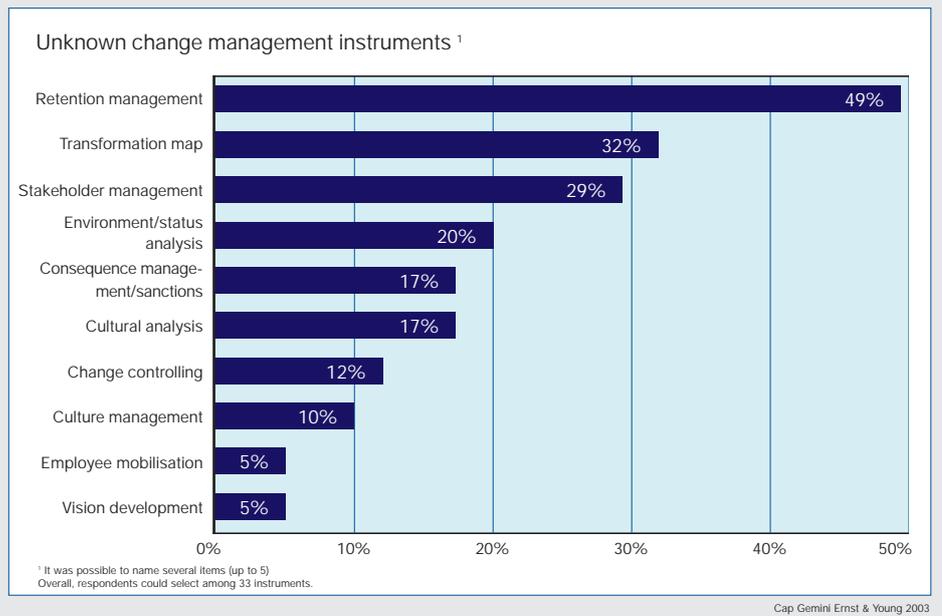
- "Are you familiar with this instrument?"
- "Do you use this instrument?"
- "Would this instrument be desirable for you?"
- "Can you do without external support for this instrument?"
- "Is external support helpful for this instrument?"

Degree of familiarity of change instruments

Only a few change management instruments are unknown in many companies (Figure 26). Half of the survey participants had few associations with "retention management". This is due not only to using an English term in a German-speaking environment, but also to repressing the topic. Retention management is the name for solving the problem that the best people leave the company first in crisis times and that for this reason it can be critical to success to systematically identify and safeguard these key resources. The issue here is not just money, but also subjective and individual retention parameters like "warmth", "status", "perspective" or "freedom", specifically whatever the high performer or high potential is striving for in the company. It is basically the same thing as when Bayern München attempts to keep their football player Michael Ballack from transferring to Real Madrid.

The instruments that were unfamiliar among close to a third of those surveyed are "transformation road map" (unknown to 32%) and "stakeholder management" (29%); "environment/status analysis" was unknown to one fifth of those surveyed (20%). It is also possible that the terms themselves helped them score such low values. For all three topics, however, this is elementary "homework" for any change process: with the transformation road map (often just called "roadmap"), a binding time plan of activities, milestones and results is set up at the beginning of the change. Stakeholder management evaluates the mood landscape at the start of the change and thereafter analyses it on an ongoing basis (see the previous chapter). The environment/status analysis means a basic inventory taking of external and internal influencing factors. Another assumption may explain why these high scores were received for being unknown: In many change processes, the players jump into the fray without assessing the

Figure 26: There are few change management instruments that are not known to companies



initial situation and setting up a realistic time plan.

Finally, there are two other instruments that are not widely known. Consequence management (17%) means the willingness of those in positions of responsibility to impose sanctions against resistance from managers and employees if needed, even if they are symbolic actions. Cultural analysis (17%) is used particularly for heterogeneous cultures and values in post-merger situations and is the term for highlighting differences (among countries, companies, areas) and deriving binding actions.

Use of and wishes for change instruments

The two instruments deployed most frequently in change management are project management (50%) and workshops (49%), followed by personal communication (33%) and various qualification actions like management development (30%), training (27%) and employee development (27%). Besides these, there is a long list of additional change instruments that take up their place in the scope of change projects (Figure 27). What is quite striking is the fact that instruments of mobilisation & communication - the central basis of successful changes - are not widely prevalent: the most likely are the quick but impersonal Intranet (24%) and formal events (21%). Other communication instruments like print media (13%) and information fair/roadshow (11%) do indeed have high communicative potential, but tend to play a minor role in real business life. Basics for monitoring change processes like environment/status analysis (23%), vision development (19%), role/task clarification (10%) and stakeholder management (2%) fall into the "also runs" category. Steering instruments like balanced scorecard (16%) and change controlling (4%) also play a minor role. Once popular argumentation models like the learning organisation and knowledge management were each mentioned just once. The differences among the three size clusters are quite slight (Figure 28).

Figure 27: Project management and workshops are used in change processes far more than any other instruments

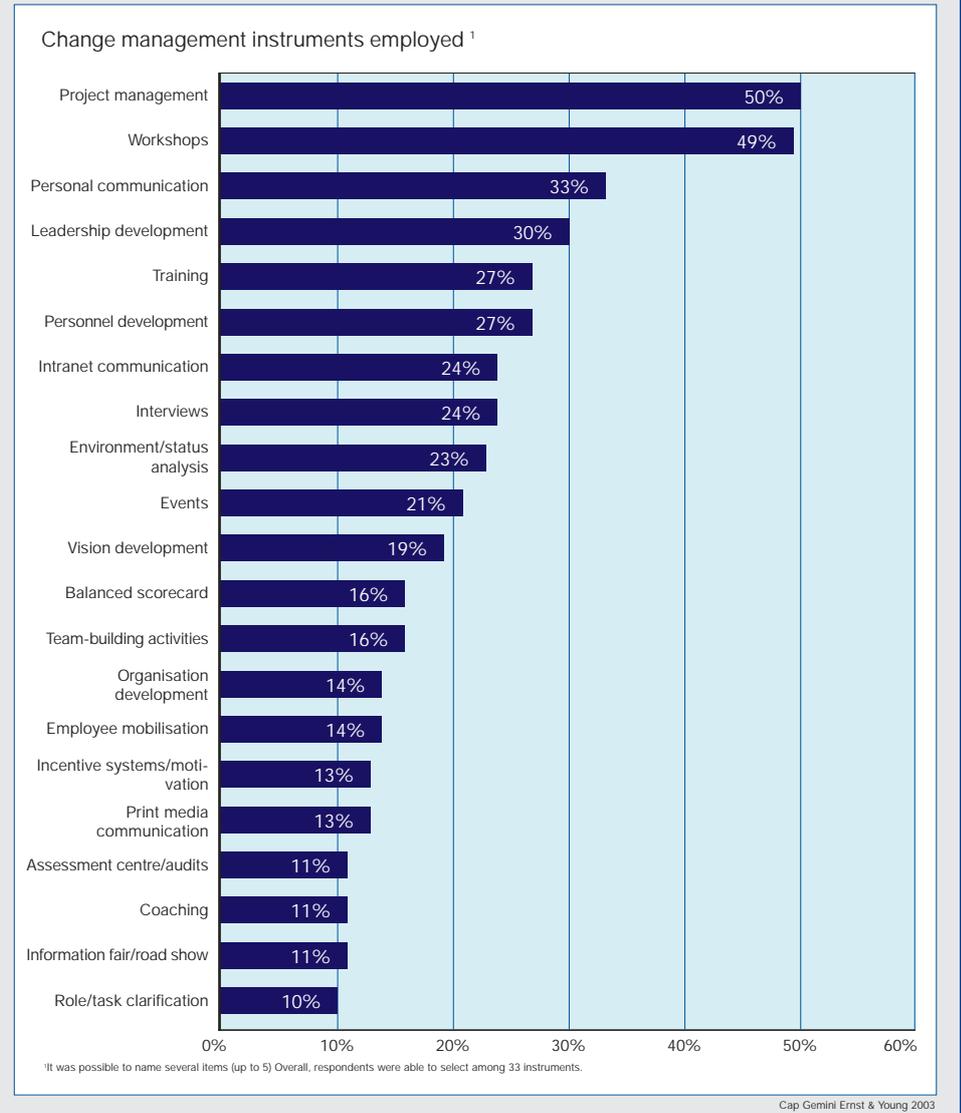
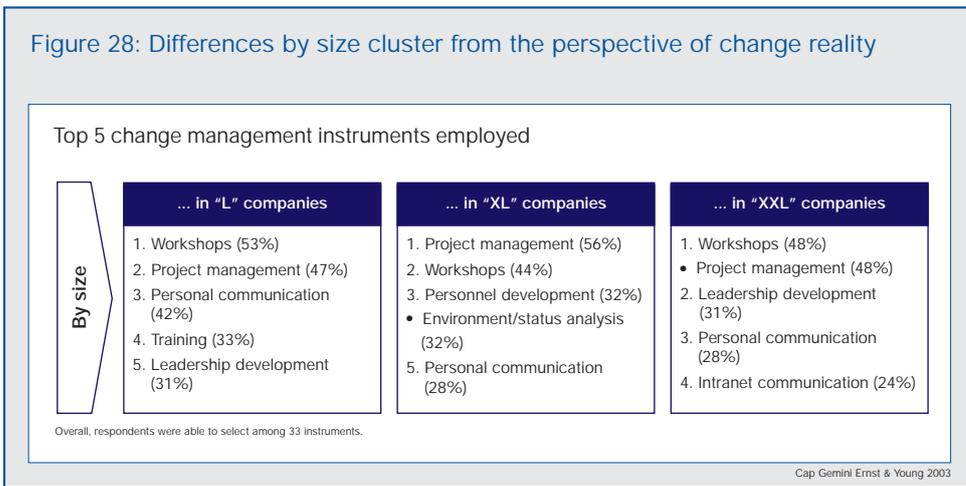


Figure 28: Differences by size cluster from the perspective of change reality



Just because it's not there yet, doesn't mean it never will be. This is the impression when considering the other desired instruments. For the change experts surveyed elementary instruments like vision development (28%) and environment/status analysis (19%) or steering methods like change controlling (26%) and balanced scorecard (21%) are far up on their list of wishes. Movement in players' heads and hearts could be generated through team building (24%), organisational development (23%), employee mobilisation (23%), coaching (22%) and management development (20%). Finally, comprehensive visions of the learning organisation (20%) and knowledge management (17%) have been completely given up on. By the way, only nine percent of those surveyed request additional workshops (Figure 31).

That it is hardly ever possible to communicate sufficiently in case of change can be seen in the answers to the question about the instruments desired (Figure 29). The desire for personal communication tops this list (29%). Those who would be best suited to this task would be bosses and responsible individuals, but they tend to have enough going on when there is change, both in terms of contents and politically. In addition, there is also their personal work/life balance and job satisfaction. This is why many potential communicators dispense with dialogue, which is not always pleasing, and sometimes consists of probing questions and harsh comments.

Perhaps the constantly felt deficit in communication can never be eliminated. In many cases, however, much more information is available than is demanded or released. But this then touches on the dispute about who owes whom in communication, a dispute which probably cannot be resolved: Bosses get the impression that information is openly available. Employees, however, don't know what's going on.

Figure 29: The wish list for change management is homogeneously distributed among a whole range of change instruments

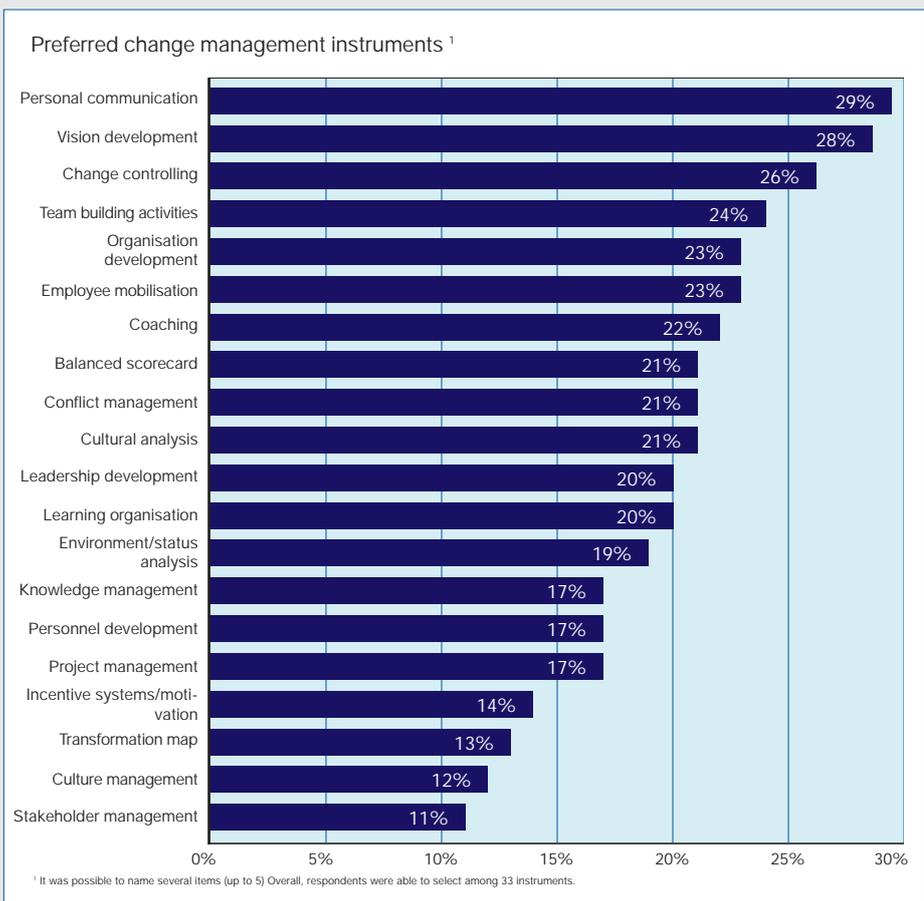


Figure 30: Differences by size cluster from the perspective of the change wish list

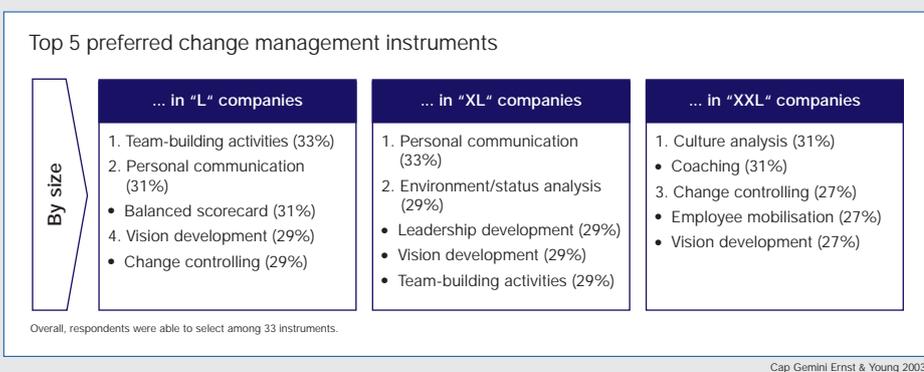
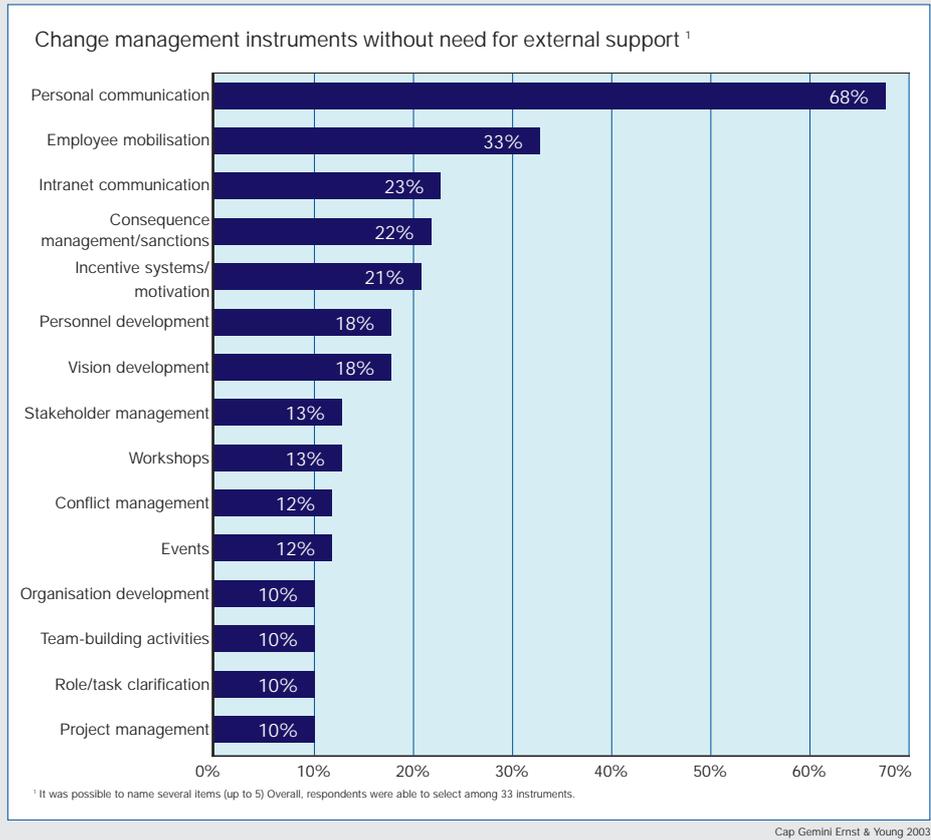


Figure 31: Specifically, personal communication is a task that a company carries out itself

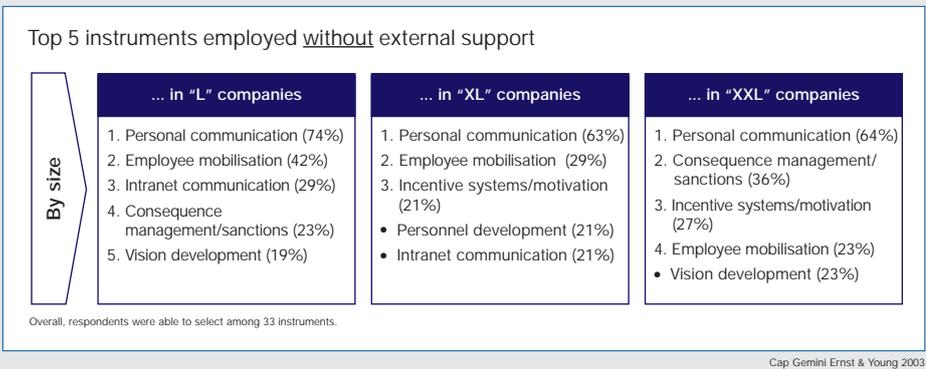


delegated to third parties? This impression is hardly disproved in many of our consulting projects. Behaviour enhancers like consequence management/sanctions (22%) or incentive systems/motivation (21%) also tend to stay without external support, just like communication via Internet (23%). Furthermore, in terms of the basic idea, company-specific instruments like employee development (18%) and vision development (18%) also remain "in house". Other change tools show high scattering when one looks at internal execution (Figure 31). The differentiations by size cluster are also for the most part similar (Figure 32).

... when companies need external assistance

The need for support from outside can particularly be seen for change instruments requiring specialised competencies and the advantage of an external perspective (Figure 33): for these two reasons, culture analysis (41%), coaching (37%), vision development (29%), assessment centres/audits (26%), environment/status analysis (26%) show top values. But also for measures like management development (23%), balanced scorecard (22%), team building activities (21%), project management (21%), conflict management (20%) and events (20%), expert know-how and the neutral perspective are considered real added value in many companies, whereas management and communication tasks like role/tasks clarification, stakeholder management and retention management and communication (personal, via print, via Internet) have been placed in external hands in only a few cases (all below five percent). This is at least the status formulated by those surveyed. In the desired reality of change processes that we are familiar with, however, we have regularly heard requests for external support for just these instruments. The reasons may be found in the time burden on those responsible and the highly volatile nature of the tasks. The differences among the three size clusters continue to be relatively slight (Figure 34).

Figure 32: Differences by size cluster from the perspective of internal implementation



What companies prefer to do themselves ...

After all, two thirds of those surveyed see personal communication (68%) and one third employee mobilisation (33%) as basic company

tasks. Nonetheless, these values are astonishingly low. Does this mean that about one out of every three managers believes that personal communication could also be handled by external parties, and two out of three managers believe that mobilising employees can easily be

Figure 33: External support is in demand in many areas of change management

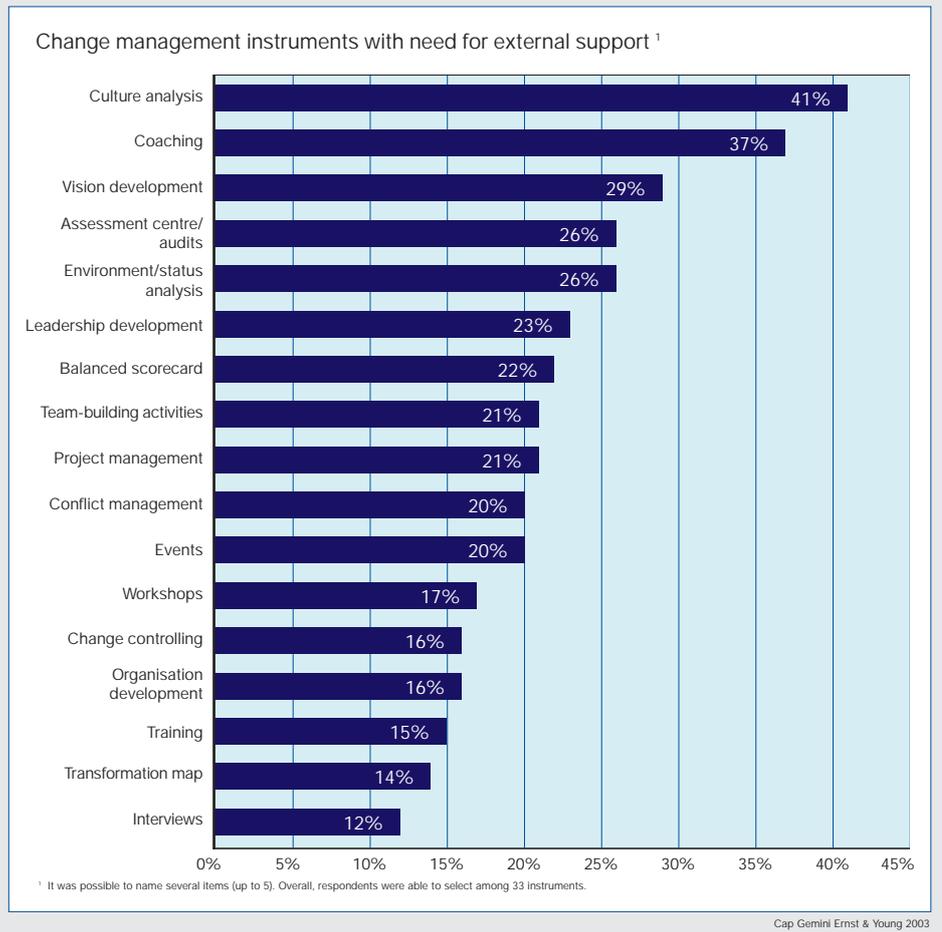
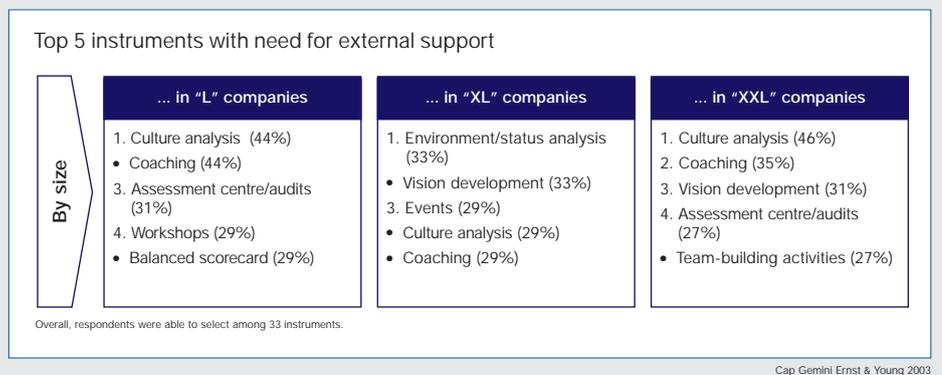


Figure 34: Differences by size cluster from the perspective of external support





VIII. Implementation barriers and success factors

Implementation barriers to change processes

In the HR strategy study conducted by WirtschaftsWoche and Cap Gemini Ernst & Young in fall 2002, the question was already posed about barriers to implementing company strategies. At the time - with a very similar set of answer possibilities - confusion caused by fluctuations in the economic cycle and technical errors were given as reasons for implementation difficulties. The problem that long-term measures were sacrificed for short-term results improvement was in top place. Political conflicts, namely differing perspectives among those involved, also significantly impeded the path chosen. Technical deficits, such as for instance a lack of prioritisation or a disregard for monitoring, were also seen by those surveyed as a considerable shortcoming. Finally, abstract strategies and ongoing re-organisations also made implementation difficult. A year ago, however, there was no lack of self-confidence. The most significant problem areas had a "systemic" character and were thus - except for technical deficits - not home-made. Low willingness to take on responsibility, a lack of internationality or a lack of qualifications were only rarely named as implementation difficulties.

Figure 35: There are a whole range of potential pitfalls: change processes may fail for various reasons

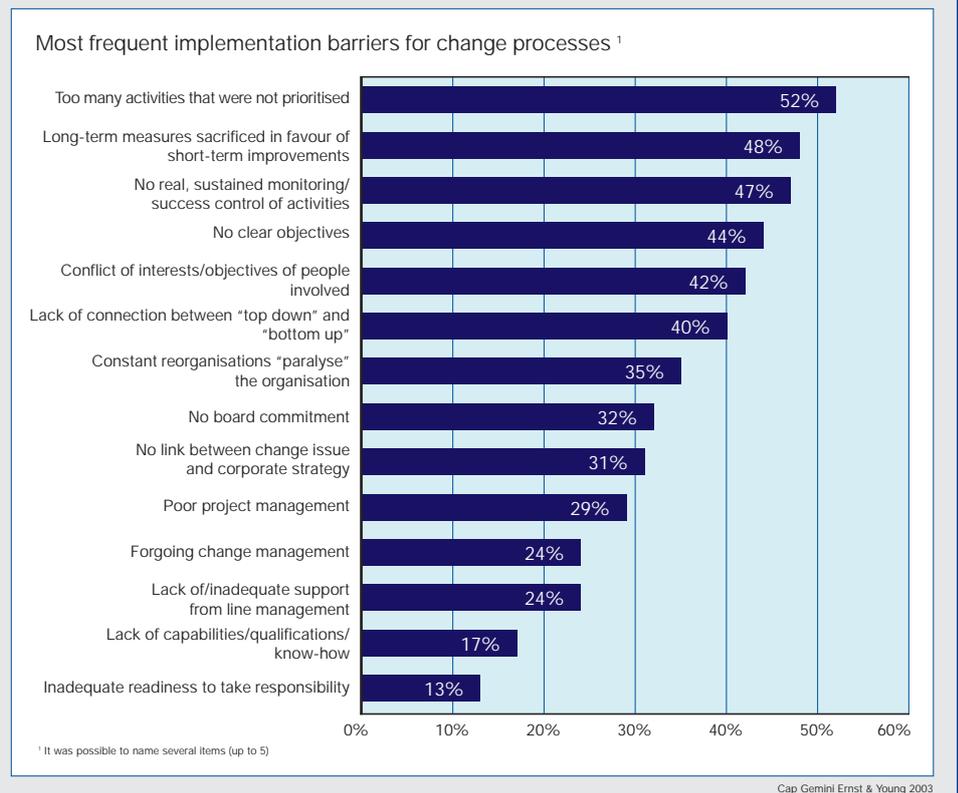


Figure 36: Differences by size cluster from the perspective of typical pitfalls

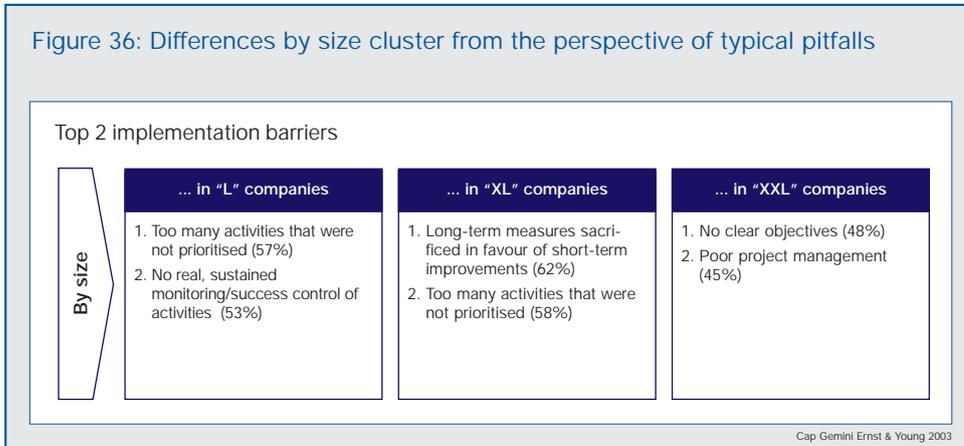
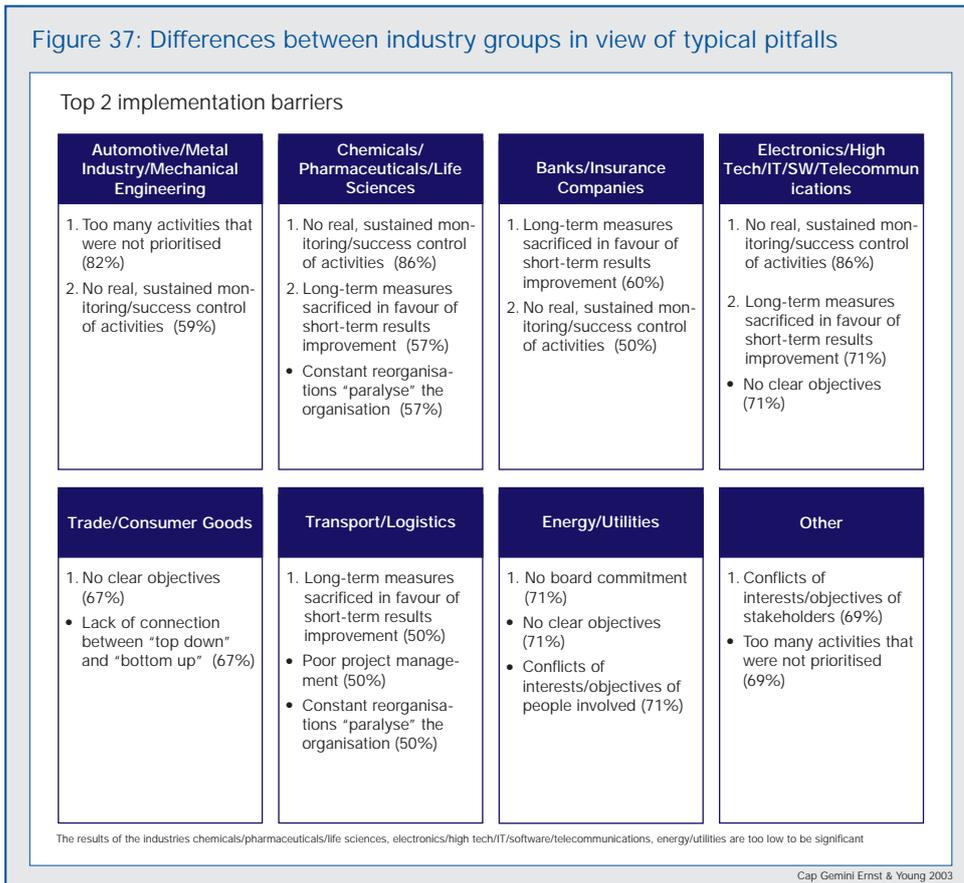


Figure 37: Differences between industry groups in view of typical pitfalls



ficed in favour of short-term improvement" (48%) or "constant reorganisations paralyse the organisation" (35%). Further difficulties arise through deficits in project steering like a disregard for monitoring (47%), unclear objectives (44%) and lack of a link to strategy (31%). Political squabbling such as conflicts of interest among those involved (42%), lack of connection between the levels of management (40%) and lack of board commitment (32%) also play a role not to be underestimated as explanatory factor for implementation difficulties. As in 2002, the aspects that can be directly influenced by those responsible for change like project management (29%), competencies (17%), willingness to take responsibility (13%) and business case (9%) were rarely given as the reason for change processes failing. Doing without change management itself is a basic problem in one out of four change processes.

Taking a look at the discrepancies among the size clusters, clear differences become apparent (Figure 36); this is also true for the industry breakdown (Figure 37). At this juncture, just a few striking results will be emphasised. In groups (XXL companies), there appears to be an above-average need to optimise project management. For companies from the automotive/metal industry/mechanical engineering industry, it would not hurt to prioritise activities according to results. Finally, banks and insurance companies probably need to create a better balance between long-term measures and short-term results improvement.

Success factors in change processes

Besides a "negative" analysis - the question about the implementation barriers - the survey participants were also asked for a "positive" analysis - the question about success factors. First, they were able to indicate the success factors according to which change processes succeeded. Second, they were able to name other success factors with which the change could have become an even greater success. The many comments on these two open questions were clustered into eight and ten answer categories.

The question about the barriers was repeated one year later with a somewhat extended list of answer categories (14 rather than 11) and the more possibilities to specify problems (5 rather than 3). However, in this time period little has changed in the results (Figure 35). The hectic pace of everyday business continues to impede the success of implementation processes - "too many activities that were not prioritised" (52%), "long-term measures sacri-

The list of existing success factors shows the significance of soft factors in change management (Figure 38). If the objective is realistic, understandable and known, the probability of change processes succeeding increases (45%). The commitment and credibility of top management (38%) is the second most important success factor, followed by effective stakeholder management (36%) and communication quality within the project and beyond (34%). Professionalism in project management proved critical to success in one of every four change processes. Other success factors are team spirit and motivation in the project team (15%), monitoring and controlling (13%) and the sense of urgency of the task (12%).

First place on the list of wishes of the change experts surveyed in this study (Figure 40) is "more resources" (22%). This also fits with the observation in many change projects in which the actual need for support was recognised only at a late juncture and then often the relevant assistance was approved at an even later point in time (if at all). Commitment and credibility of the management (16%) and professionalism in project management (15%) are additional success factors that were considered capable of improvement in many change constellations. The other communication related and process-related wishes of those surveyed - from the alignment of organisational units (14%) to a realistic, understandable and known objective (12%) - can be read like a checklist from a manual for successful change processes. The broad dispersion of these wishes also shows that there are not one, two or three key success factors, but rather that only the combination of these aspects positively influences the result of change processes.

Figure 38: The success factors for change processes are of manifold nature and must be evaluated based on the situation

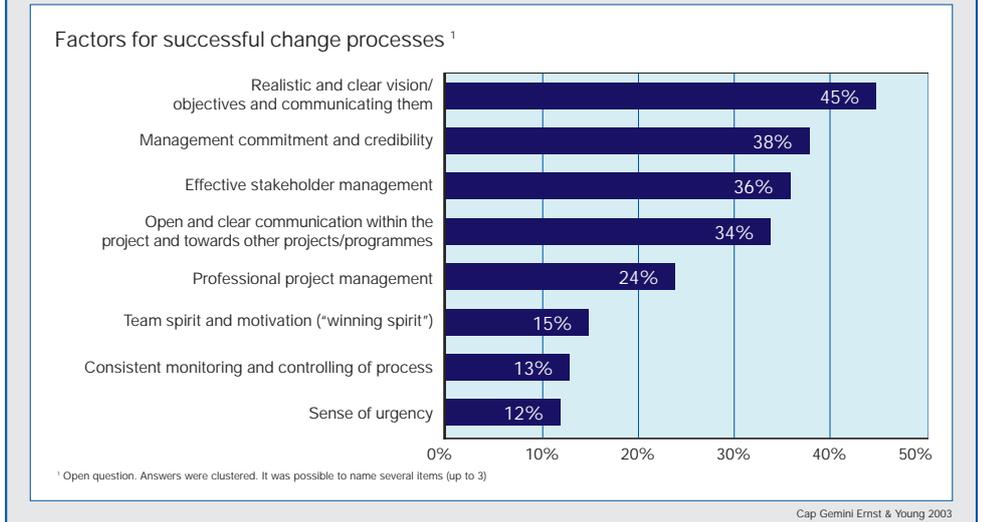
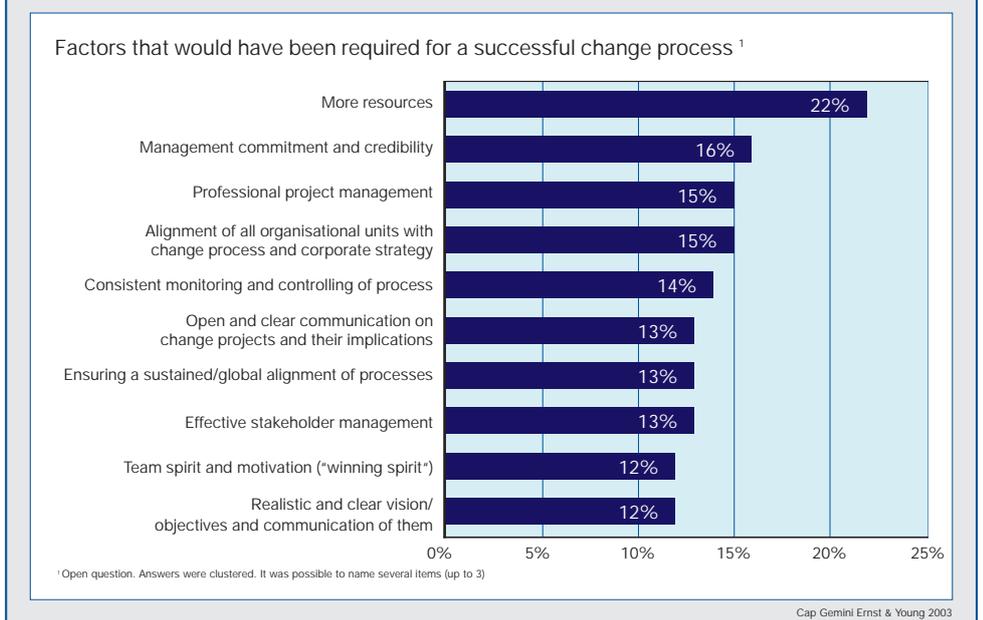


Figure 39: Many change processes fail for the simplest reasons





IX. Players, organisation and controlling

Players in Change Management

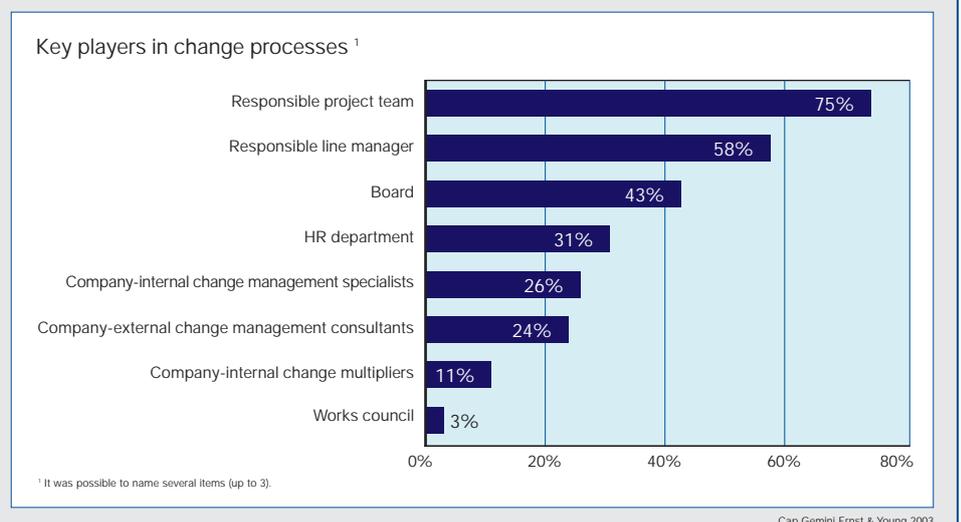
Of course, the diverse stakeholders have multiple and sometimes divergent expectations about change processes. However, the change projects ultimate objective should be to best fulfil clients requirements in terms of both putting matters into final form on time and taking into account budget restrictions as well as possible (OTACE - "on time and above customer's expectations"). Almost every manager in the company plays a role in change processes and in some way assumes responsibility for successful transformation. Yet, when observing some managers' activities, you could gain the impression that they would much prefer to take responsibility for a successful failure.

Analogously to the already classic established logic of management by objectives, particularly those players will take on responsibility whose individual targets are in line with those of the project and who thus are directly interested in successful change. Those surveyed for the study were given the option to choose up to three players out of a total of nine who played a leading role in the company's previous change processes.

The responses show that tasks in change processes can be delegated only to a restricted extent (Figure 40). In three out of four companies, the responsible project team is the key player (75%): in three out of five changes, it is the responsible line manager (58%). Surprisingly, the board plays only a subordinate role (43%). Only in every third company surveyed does the HR department (31%) play a significant role in designing change processes. This poor role - far from the self-proclaimed role of a

"business partner" - was already determined in the HR strategy study conducted by Wirtschaftswoche and Cap Gemini Ernst & Young in 2002. The works council (3%) and supervisory board (0%) are completely at the periphery of the change process.

Figure 40: The project team itself is most responsible for whether a change process succeeds



Within the company change management specialists (26%) or from outside change management consultants (24%) assume leading roles in one out of four change projects. Both types of specialists have considerably higher importance of about 30% in very large companies (XL/XXL). Whether it is good or bad to have internal or even external change professionals involved in important positions in 25% of change processes (and in some constellations even more frequently), is certainly a matter of judgment and faith, the question is answered differently by companies and executives. Company-internal change multipliers - line managers who have the additional task of communicating the change process within the organisation - play an important role in one out of nine companies (11%). They are deployed to an above average extent in very large companies (XL/XXL).

The differences among the three size clusters are slight, except for the obvious fact that if we compare L and XXL companies, in the former the boards and HR departments (50% vs. 24%, and 50% vs. 28%, respectively) play a more active role than the responsible project teams (69% vs. 83%). Change management in medium-sized companies is often done "on the side", while it is almost an automatic reflex to set up project teams in large corporations (no figure).

Organisation of Change Management

As with many other tasks carried out in companies, there is no basic "right" or "wrong" approach to change management issues, though some theorists and practitioners commit themselves and dogmatically decide for each line or for each project. At this juncture, therefore, we will not evaluate, but rather describe the diversity in how change management is organised. From a set of nine organisation realities we are familiar with, those surveyed were able to select several - even contradictory - responses (Figure 41).

Most frequently, projects are carried out where the respective project management (57%) or other employees perform change management in addition to or as an extension of their functional tasks (47%). Besides the large number of other "to-dos" that are also critical for success and are often more familiar in terms of content, change management can indeed easily be disregarded. Designing transformation processes becomes an unloved additional job. Most project managers or project team members in charge of change were not assigned these jobs due to their excellent change skills, but because they know the content-related or political dimensions of the project task in detail. On a prioritised list of activities, change management thus quickly slips down to a lower position, done late in the evening, in a rush, or not at all. Excuses for this

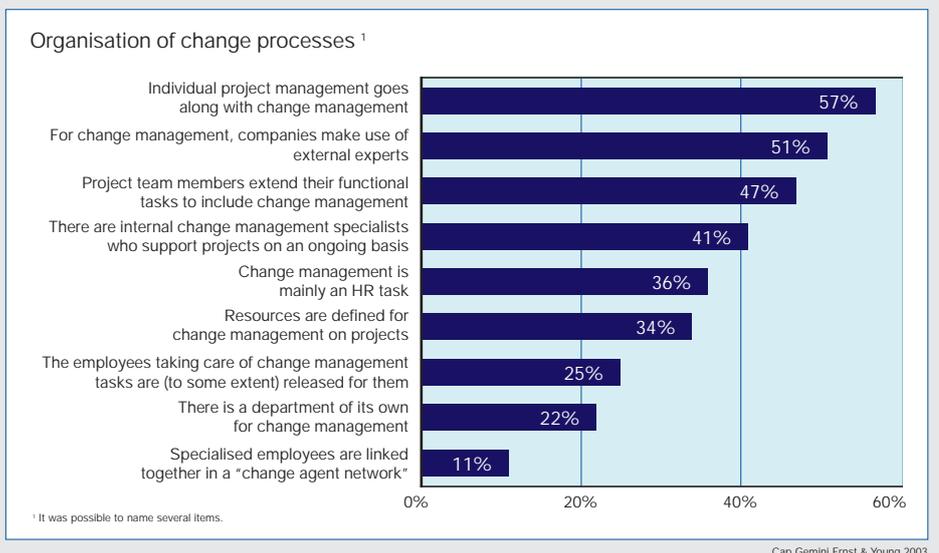
neglect can easily be found given a high commitment to other project tasks. Nonetheless, resources for change management are defined in one third of all change projects (34%), and for 25% of change tasks, those in charge are even released (at least to some extent).

The alternative to "job enrichment" of the project management or other project employees is the additional use of external experts (51%) or internal specialists (41%), the latter often called "change agents" or the like. Thus, 50% of change processes are carried out with external support - a considerable number, although not always in a leading role (cf. "Players in Change Management"). Surprisingly enough, the internal specialists are not an alternative to the external experts. In many cases, the two resources were combined - internal change specialists plus external change consultants. In implementation practice, considerable synergies can be realised on the one hand, but dogmatic debates on principles among experts can paralyse action on the other. In addition, systematic co-ordination carried out by a change agent network can be observed in only 11% of the companies.

Here again, the significance of HR departments is rather low (36%). Internal competition arises in the form of autonomous change management departments, to be found in 22% of the companies, although the term 'department' appears exaggerated as it usually refers to a few lone fighters in groups of five or fewer employees. Only two companies run a change department with six to ten employees, one enterprise (listed on the DAX 30 with good performance just now) currently employs a total of 30 specialists for change management.

There is a stronger delegation to external consultants, internal specialists or change departments in Germany (Figure 42). The statements on releasing resources to design change ("extend tasks", "defined resources", "partly released") are contradictory. This is probably due to the fact that individual organisational solutions are found for specific project situations and there are hardly any norms and standards. This assumption is confirmed by the results of the three size clusters (no figure), which show considerable differences.

Figure 41: The organisation of change processes shows: there is no organisational "recipe for success"



In the questionnaire the participants in the study were able to formulate their own experience and attitudes towards the organisation of change processes. More than half of the managers surveyed made extensive use of this opportunity. Organisational topics are typically accorded great attention in central European companies. Essentially, implementation barriers and success factors of change processes and their situational relevance ("it is key") were articulated. Furthermore, the normative dispute between autonomy ("trust in the competency of change managers") and controlling ("control the change management activities") was quite clear. Finally, the respondents repeatedly mentioned the need for convinced decision makers at the higher management levels ("otherwise, change languishes as a luxury good").

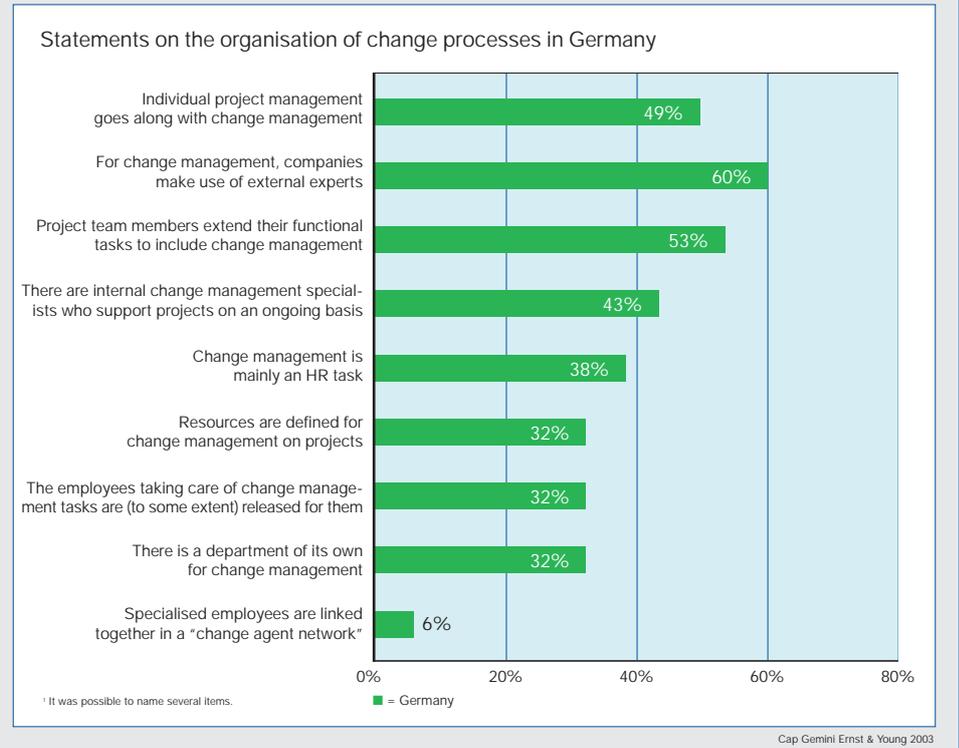
Attitudes towards change management controlling

In the HR strategy study conducted by Wirtschaftswoche and Cap Gemini Ernst & Young in 2002, a closer look at HR controlling revealed the large gap between expectations and reality. Only six of a hundred companies availed of more than basic key indicator systems in their HR. Vision and reality are also highly divergent for the topic of change controlling which is even more difficult to get ahold of. Though the legitimising of change activities economically is attributed high importance, implementation is still an issue.

From a set of four formulations, the survey participants had to select the one suitable for their company. The four statements vary in the intensity of their quantified business case orientation:

- "Change management too must be measured against economic criteria, even if the benefit side can only partially be quantified. All measures are an investment that must pay off in the end."
- "An accurate measurement of the benefit of change management is only indirect. However, determining benefits and costs is an important aspect when giving reasons for change management measures."

Figure 42: The organisation of change topics is oriented towards the respective requirements



- "The benefit of soft topics like change management cannot be validly measured, since too many aspects remain vague. Therefore, a benefit case for change management does not make sense."
- "In our company, the decision makers are convinced of the benefit of change management on the basis of their experience. A quantitative determination is therefore not necessary to justify change management."

The benchmark for change management is very high (Figure 43). A hard business case (40%) or at least an approximate determination of costs and benefits (39%) are the basis to explain why change management is necessary in most companies. Only twelve percent of the companies surveyed doubt the possibility of a business case, and eight percent even do without an economic justification for change management. The requirements for a hard business case are particularly strong in L companies (53%).

As for organisation, the participants in the study were able to formulate their experience with and attitudes towards controlling change

processes - and they did so to a considerable extent. Seven aspects were apparent from these statements:

- The costs of change management are many times easier to measure than its benefits and are incurred considerably earlier along the timeline.
- The results of using or doing without change management cannot be compared in advance ("What is the risk of doing without change management?").
- Change management should generate tangible benefit in early project phases ("quick wins") to gradually earn its legitimisation.
- The suggested success parameters are oriented towards the basic project result or are based on subjective assessments (OTACE - "on time and above customer's expectations").
- The costs of benefit measurement itself (e.g. by means of surveys and interviews) should not be underestimated in change management; some managers even think that the measurement effort is generally too high.

- A direct impact of soft dimensions such as mobilisation and communication and employee motivation and acceptance on the company's results indicators such as ROI or EBITA ("bottom line results") is broadly assessed sceptically.
- A certain share of change experts consider the questions of change management costs and benefits an impertinence for their work.

This makes it clear that change remains a matter of players' beliefs and convictions. Those already convinced see active change management as a key success factor. In contrast, the sceptics implement change without process support.

Methods in Change Management controlling

The way of thinking is important in controlling - and the methodologies deployed are decisive. When abstracting from one's individual view and asking what cost/benefit measurement procedures were actually used in change management, many of the previously articulated beliefs turn out to be wishful thinking (Figure 44). A business case of its own (13%) is developed for only one of eight change projects. At least, taking change management into account in the overall investment takes place on 48% of occasions. But for two out of five changes, change management is not legitimated with a business case (39%).

In the XXL companies, it is far rarer to develop an independent business case for change management than in L companies (7% vs. 19%) (no figure).

The business case as a method is not always understood in the same way everywhere. In addition, controlling means more - in this case, the regular check of target achievement including possible countermeasures if there are deviations. For this reason, the respondents were asked to describe the change controlling approach they deployed in an open question category. The number of answers to this concrete question was quite low, or they admitted that "unfortunately, we do not yet have systematic change management controlling" or "our change management controlling is currently being

Figure 43: A high significance is attributed to evaluating change activities in quantifiable terms

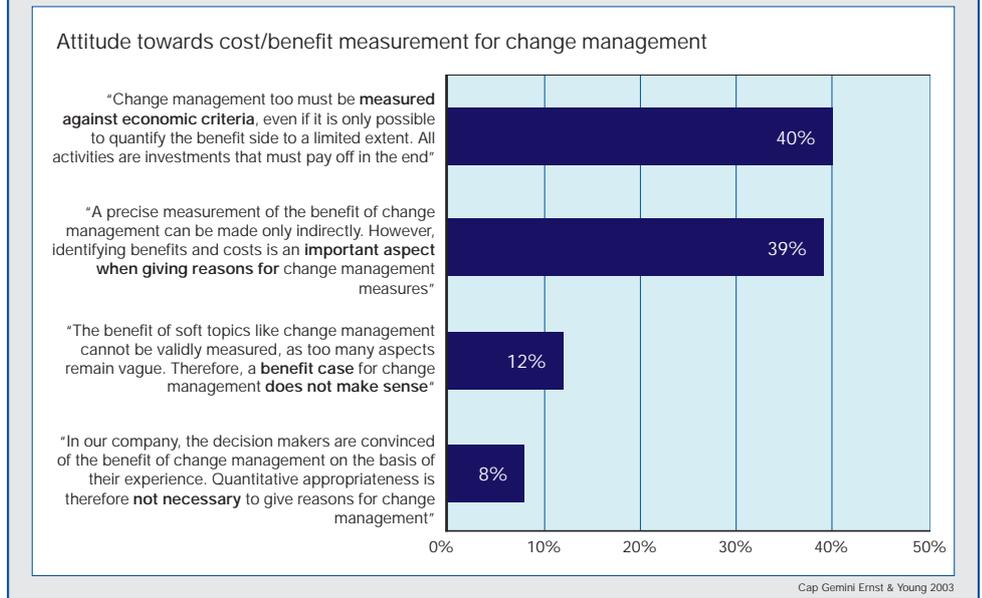
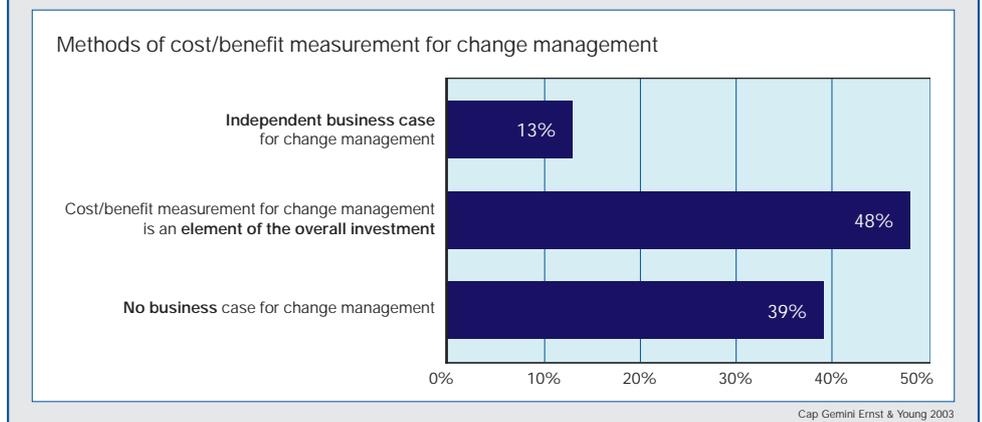


Figure 44: Only one out of every eight companies calculates an independent business case for change management



developed". Furthermore, buzzword-like responses ("ongoing project controlling", "return-of-change concept" or "balanced scorecard approach") allow highly disparate interpretations on the maturity level. The most frequently stated methods of change management controlling are target group surveys held "before and after" and feedback interviews with clients on the change process. On the whole, change management is currently far from providing persuasive argumentation that legitimates its existence and manages to convince a demanding CEO/CFO by means of monetary facts. Most

likely, change management is in principle not able to fulfil this task.



X. And it goes on and on and on ...

Illusion of movement?

Two out of three M&A projects are judged failures. Ever more IT transformations exceed the initial agreed timeframe and budget limit. Introducing new strategies, organisations, and processes is delayed or even stopped by delaying tactics carried out by stakeholders who are afraid to lose influence or power. Problems in change processes are encountered at every turn. In addition, they have been identified in scientific research and documented in journalistic reportages. Sometimes, we ourselves cause them; sometimes we are the ones who suffer, sometimes merely observers from outside. Does it have to be like that?

Change does not mean waiting, but movement - whether we like it or not. In real business life, one change follows the next. And it goes on and on and on! Changes in companies follow a typical pattern: the vehicles are mostly neither comfortable nor safe, drivers sometimes drive too fast looking neither left nor right, the tracks are full of potholes, one curve after the other, and the destinations rarely attractive at first glance. Furthermore, the issue of the return ticket home is not mentioned as soon as the journey has begun. Changes in a company will never be like a honeymoon to the South Seas. Change processes give you a hard time, are cumbersome and dull, and waste time and money. Reforms can be quite painful - that's just

the way it is. If someone asserts the contrary, he's either an unbounded optimist or esoteric quacksalver.

On cooks and conductors

However, what can be done is to make change processes more human. This will not make them more expensive or slower - to the contrary. There are many panaceas, some helpful cookbooks, and good cooks can be found. Most of them advocate situational approaches: "It depends" ... on the ingredients, on the spices, but also on the cook himself and his guests, as it's the latter who are supported to enjoy the meal!

Professional change management is therefore like preparing a good dinner. The change tastes better; it does not leave a nasty taste, and is easier to digest. And this also applies to change management: it needn't always be a celebrity chef. There are just two key points where the result is no different from the fast food you can get around the corner. With change management, a change does not take longer - in terms of the time needed to accompany and drive those affected by the new reality - but rather, it is shorter.

If you're honest and calculate in the subsequent friction of change processes, which often lands at other cost centres, the overall calculation is not more expensive anyway. It's just this second aspect ("total costs of change

processes") that is often overseen in decision processes. Sometimes, however, this may be good, since otherwise quite reasonable changes would be called off ahead of time if the costs were quantified in advance.



As can be quite clearly seen in this study, change management is what you make out of it. The topic is defined in very varied ways. The designs serve less as a blueprint or template than as a quarry and inspiration. The methods do not require technical perfection, but rather committed and motivated players. Change management means "composing" a catchy melody, selecting the appropriate "instruments" and "conducting" the appropriate musicians.

Developing positive images of the future

Admittedly: Everyone is longing for phases of calm, moments of restraint, times without change. And there's nothing to say against that. This understandable desire will, however, hardly change anything relating to the basic movement of social systems. When honestly looking back to the past in one's own biography, or that of one's company and society, one can also recall the dark passages which were the reason change was wanted or forced at the time. It was right and will continue to be so.

This gets neglected all too quickly when everything's happening at a hectic pace, arguments seem inconsistent and the moods are many and varied. It thus becomes the perhaps most important task of change processes to develop and maintain a positive image of a better future. This too is forgotten all too quickly if "the way it was wasn't so bad", "change seems awfully troublesome" and "the vale of tears has been reached." There are thousands of reasons not to do something or to break off something one has begun. Pleasant images of a better future are a strong instrument against this tendency.

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