

# Introduction

This book shows you how to take two models which describe an organisation's capability – the organisational culture evolution spiral and the business process capability ladder – and combine them to provide a baseline from which you can assess the complexity and risks of a transformation project – the Change Equation. The ability to analyse and quantify the gap between capability and project complexity is the 'big idea' of the book. It's simple – when you know how.

When I sat down to write this book I was driven by a sense of deep frustration. The companies and public sector organisations that I had encountered, both as a consultant and as a customer, talked a lot about the changes they were planning in order to improve their performance and transform customer service, but they didn't actually seem to be achieving very much. As I ploughed through the research on project failure and collected sometimes spectacular examples and depressing stories of budgets overspent, deadlines missed and opportunities wasted, my frustration turned to despair.

However in the course of writing the book, my mood has changed. I have had such a positive response to the ideas and methods in the book, from people whose experience and judgement I value and trust, that I now believe you *can* succeed in shifting organisational cultures and improving organisations' capability to manage change, provided you follow a balanced, integrated approach. I even found a few success stories to tell!

So thanks to everyone who contributed their enthusiasm and optimism. Here's the 'big idea' we have been talking about.

## **Background to INPACT**

Are you old enough to remember the London Ambulance Service computer fiasco? They introduced a new computer system in the early 90's which was going to really speed up the despatch of ambulances. The new system turned out to be so inefficient that response times actually got worse. In fact, shortly after its introduction, the system failed completely and the service reverted to the previous manual system.

Or were you, like me, forced to change your holiday plans in 1999, because your new passport never arrived? The Home Office permanent secretary was forced to admit that computer problems meant that targets for handling cases would not be met. He said that the introduction of new technology had been expected to lead to cost-reducing staff cuts but had led to such a "set of disasters" that 300 extra officials were now being taken on.

Only last year, the government admitted that while the NHS National Programme for IT had achieved some successes, taken as a whole, it had failed, with only "three wheels still on". Putting it back on track would take "the next decade", not just the next year.

And I have just read the Commons Public Accounts Committee report that called the prison service's C-Nomis programme "a spectacular failure – in a class of its own". This was supposed to give prison and probation officers real-time access to offenders' records but it got so complicated that it never got finished.

These are only the cases that make the headlines. My neighbour's MFI kitchen failed to arrive a few years ago because the company's new inventory system crashed. The £50m system was supposed to improve things for the company but they ended up paying a £30m bill to sort out problems with customer orders and fix the system. They never really recovered from that disaster. Or another example from the private sector: my insurance company failed to send me the documents I needed because their merger with another company had left their systems in a total mess. It took them 3 months to catch up – I didn't ask how much that had cost them.

Why is it that IT-based change projects so often fail to deliver the

expected benefits? And what is needed for them to succeed?

This was the puzzle that I needed to solve two years ago, while working as a management consultant in the UK public sector. I was aware that many of the modernisation and change projects that I was involved with were not achieving their goals. Take-up of the new processes in the departments was agonisingly slow, the promised efficiency benefits could rarely be proved to have been realised, lots of money was being spent – with often very little to show for it.

This came to a head when, at a meeting to review the status of e-procurement in the public sector, I found that there was widespread agreement among procurement managers that the promised revolution had still not been realised, and that was four years after the first systems had been launched. I wondered why. The usual excuses (lack of time and money) didn't seem to be sufficient. What were the real reasons for this failure? And were they particular to the sector and the type of project?

Apparently not:

In 2008, a McKinsey survey<sup>1</sup> of 3,199 executives around the world found that only one transformation in three succeeds, confirming what John Kotter found back in 1999 when he did the research for his book “Leading Change”. And when Harvard Business School tracked the impact of change projects among the Fortune 100 companies, they also found that only 30% of projects produced a positive bottom-line improvement.<sup>2</sup>

Standish Group, an IT industry market research company, carries out an annual survey of project outcomes.<sup>3</sup> Their findings show that project success is rare. In 2009 only 32% of projects succeeded and this was DOWN from previous years (it was 35% in 2004). Their data showed that 24% of projects failed and 44% partially succeeded (“challenged”). Projects over-ran their budgets on average by 45%, their projected delivery times by 63% and they only delivered 67%

---

<sup>1</sup> ‘Creating organizational transformations: McKinsey Global Survey Results’, *The McKinsey Quarterly Journal*, August 2008

<sup>2</sup> Nohria, Nitin, ‘From the M-form to the N-form: Taking Stock of Changes in the Large Industrial Corporation’, Harvard Business School Working Paper, 1996

<sup>3</sup> ‘Extreme Chaos’, The Standish Group International Inc, 2009

of the expected functionality.

Digging around for further evidence I came across a recent survey of change programmes in over 400 European organisations quoted by Professor John Oakland, Emeritus Professor at Leeds University Business School. He also found that 90% of change programmes faced major implementation problems and only 30% delivered measurable business improvements.

This was worse than I had expected. Surely, if the IT industry and management consultancy companies were aware of these high levels of change project failure, they would be doing everything they could to improve their performance, but when I quoted these statistics to a number of people responsible for project management and efficiency improvement in public and private sector organisations, they only nodded and agreed.

So I started asking people for their take on the problem. I thought I had some of the answers already. My background includes 17 years as a senior manager in BT and 13 years as an independent consultant, including 8 years running a best practice experience-sharing group where major UK companies shared their knowledge and ideas about e-procurement and e-business.

These companies knew that problems arise when there is too much of a focus on the technology, instead of on the business benefits. It's called "technology push". They knew that projects often failed due to poor specification of the systems or the lack of sufficient due diligence on supplier capability. They could quote examples (privately!) of the lack of senior management championship of the project or project managers leaving half-way through an implementation. And they could all point to the inability of system users – that's you and me – to articulate what they need. (Well, how can we, if we don't really understand what the new systems do?)

There was no shortage of reasons for IT-based change projects to fail, or at least to fall short of delivering the expected benefits. But I was not satisfied that these answers were sufficient. Something more was going on, to block change and undermine these projects. After all, we have known about these 'standard' answers for a long time...

I started to read anything and everything published about project failure and uncovered some other common factors in my research:

- Unclear objectives and lack of recognition of the complexity of the project, leading to allocation of inadequate resources to deliver it. So the IT Director *thinks* he has consulted, but ask anyone outside his department, and they will give you a different answer.
- Not enough attention paid to process detail. That can be a killer if, as happened in a large London hospital, the new prescription system didn't have a field on the form for 'possible allergic counter-indications'.
- Old manual processes continuing to be carried out in parallel with the automated ones. Think about it. What is easier: to learn how to input the job request online while dealing with all the non-standard requests that the new system can't handle, or just to carry on doing it all on paper as you always did?
- Lack of attention to training and not enough support for fine-tuning of the new processes and systems to enable realisation of the full benefits. When was the last time you got enough time and support to really learn how a new system worked?

And finally:

- A culture of non-compliance – that's usually the show-stopper!

None of these were 'rocket science', but, together with the 'standard' responses, they came up time and time again. And it didn't seem to matter whether the projects were in the public or private sectors. What they had in common was that the projects were attempting to bring new IT-based systems and modified processes into large, complex and devolved organisations, to improve efficiency and quality of performance.

I looked for a pattern – how did these factors stack up to give me a coherent picture?

I went back to look at all the management science I had acquired over the years, the best practice guides I had researched and written, the models and tools I had come across, inherited, created or adapted along the way, to see whether I could find some answers...

...and what emerged was an underlying idea and a set of models and tools that seemed to fit together and began to answer some of the questions.

I labelled this **INPACT**, which stands for:

### **INtegrated Process And Culture Transformation**

‘Integrated’, because it became clear that the underlying reasons why change and transformation projects do not deliver the expected benefits have to do with how organisations handle both *Process and Culture*. Often the problem is that too much attention is given to the first (Process) and insufficient attention is given to the second (Culture).

Bob Garratt, the management consultant, creates a useful distinction in his book, *The Twelve Organizational Capabilities*.<sup>4</sup>

Here’s how he puts it:

“There is a ‘soft’ side to organisations, which comprises human energies, emotions and learning which...are rarely measured. Yet they affect dramatically organisational effectiveness – the external perception of the organisation by its customers, suppliers and other stakeholders. These ‘soft’ aspects are the missing key determinants of short-term and long-term organisational capability and performance.”

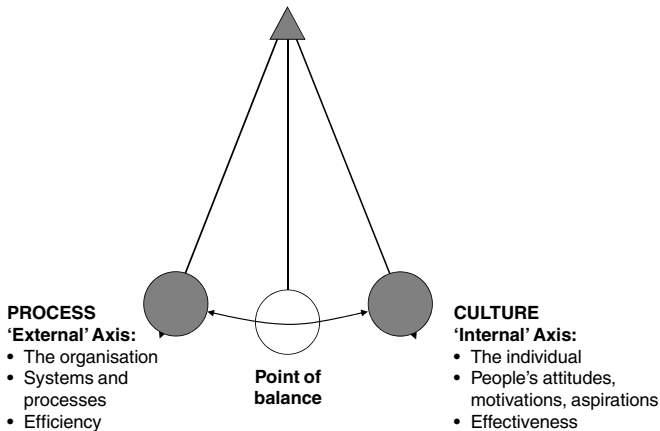
So an organisation’s **efficiency** relies on its systems and processes whereas its **effectiveness** comes from its people.

There is an inherent tension between the demands of the organisation’s focus on efficiency through systems and processes, and the needs of the individual – the ‘culture’ or ‘people’ focus.

I propose to label these: **EXTERNAL** and **INTERNAL**. They form two axes, between which a pendulum swings.

---

<sup>4</sup> *The Twelve Organizational Capabilities: Valuing People at Work* – Bob Garratt (1999)



The point of balance should be mid-way between EXTERNAL and INTERNAL; between 'Process' and 'Culture'; between the organisation, its systems and processes, and the individual, their attitudes, motivations and aspirations.

Because there is an inherent tension between the demands of the organisation and the needs of the individual, between a 'process' view of the world and a 'culture' or 'people' focus, the pendulum swings to the left and right, depending on which force is stronger. It rarely remains for long at the 'point of balance' required to achieve excellent performance. Maintaining balance takes effort and skill. It is fragile and easily disturbed.

One of the main causes of imbalance is change. It requires new systems and processes, new skills and often new people. I will return to the concept of the pendulum. It is a useful way to describe the underlying philosophy behind INPACT, which is that **an integrated and balanced focus on people and process throughout a change or transformation project is essential for success.**

As I started to work with the INPACT models and tools, I noticed something interesting: I was able to use them to carry out quite accurate assessments of an organisation's capability to manage a

change project and get the planned results. These assessments didn't take long – just a few days, sometimes only a few hours. INPACT turned out to provide a useful set of insights into the underlying areas of potential failure and the barriers to success.

For example, working with a Business School MBA course to research potential causes of project failure last summer, a simple questionnaire based on the INPACT approach quickly identified real disparities between what project managers were telling us about their projects and what other stakeholders thought about them.

And as part of a post-implementation review of a new system for an NHS Trust, I used INPACT tools to demonstrate that the lack of take-up of the new system was due to an almost complete lack of trust between the clinical and IT people in the organisation.

So I spent some time developing and refining the assessment approach, until I had narrowed it down to just a few key aspects. In an INPACT assessment, each is considered in turn:

First, I look at the **organisation's capability**, including:

- The strength of its organisational culture – attitudes and personal relationships, motivations and habits, aspirations – on the internal axis
- The **business process capability** maturity of the organisation – that's jargon for how consistently and well the organisation manages its routine work – on the external axis.

Then, having assessed the organisation's capability, I look at the **project** – what they are trying to do. This might be a specific change project or an enterprise-wide transformation programme.

I look at four aspects:

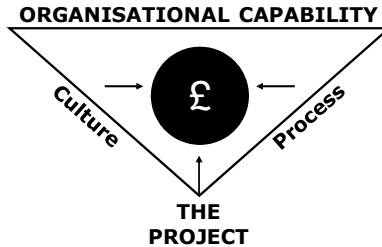
1. Clarity of objectives – as I found out in my work with the Business School MBA course, that is often a stumbling block, right at the start.
2. Complexity. So you think your project is simple? Think again. This is often a real eye-opener for even experienced managers.

3. The effect of distrust – I didn't believe how absolutely it blocked progress in that NHS Trust.
4. The pull dynamics of benefits realisation. No, I'm not going to explain this – you'll just have to wait and see!

Finally, I include any other factors that may have a significant impact, such as suitability of an IT system or the relationship with partners and other external stakeholders.

So: an organisation's organisational culture + management of its processes = its Capability. What it is trying to do = the Project.

Think of these forming an inverted triangle:



Focusing on the elements in each of these in turn enables me to simplify the task of identifying the factors that really made a difference to project success. I can then integrate them to **quantify the barriers** and understand their potential impact on the bottom-line benefits of the project. So the area between Organisational Capability and The Project in the triangle represents the potential gap between success and failure – a gap that can now be measured. And that's the Change Equation – the 'big idea' that this book is about.

### ***'Objectivising' the risks***

Linking the organisational culture model with the other powerful models and tools I have included in INPACT provides a methodology and framework with which to identify the barriers to successful delivery of a change project or programme and to assess

the impact these barriers would have, if not dealt with properly, on the costs, timescales and level of benefits realised.

Assuming that the change project is underpinned by a business case (although I have come across a lot that weren't!), the results of this assessment should provide a sufficiently objective output to enable informed discussion about the risks at the planning stages of a project. Why is this important? Because it is vital to persuade entrenched stakeholders to recognise and tackle these risks at an early stage. Leaving it till the project is under way and starting to fall behind schedule – or worse, when it has failed – is much harder and less effective.

Many of these barriers and risks are linked to the underlying culture of the organisation (or part of it, e.g. a department). The expensive failure of the marketing department in a manufacturing company to alert the production team to falling sales trends until it was too late to hold back orders for components arriving at the factory gates, was due in part to the fact that the head of marketing had fallen out with the head of production and they weren't speaking to each other. The inability of a social services department to protect a child, in a recent high-profile case, was not down to the incompetence of the managers and staff. It was due largely to the target-driven culture and the lack of support given to social workers.

A print manager in a large company identified a way to reduce the company's print bills by over 10% and speed up response to requests for print work. It required that the IT department modified a form on the company's intranet so that staff could specify their print requirements in more detail. However this 10-minute job was stuck behind 9 months of other change requests and the print manager could not get the Head of IT to give it priority, despite the potential for savings which, over that 9 months alone would exceed £60,000. The culture in that organisation was such that a personal approach to the Head of IT fell on deaf ears and escalation to a higher level of management led to the print manager being reprimanded!

Attempting to address these cultural issues can often be seen as attacking the emotional identity of senior people in the organisation. So 'objectivising' the barriers to change is the first step to being able

to deal with them.

INPACT can be used to change mindsets. And changing mindsets is really the subject of this book!

### ***The INPACT models and tools – your route-map through this book***

Here is a quick guide to the way I have set out the ideas and methods that, together, comprise INPACT. (That stands for: Integrated Process and Culture Transformation – just thought I'd remind you!) The book is in four sections:

Section 1: Organisational Capability

Section 2: The Project

Section 3: Delivering Successful Projects

Section 4: Assessment and Implementation

If you are simply interested in understanding the models, you may just wish to scan quickly through the last section. But theory remains just that, until you try to use it. Most 'how to' books are much more interesting when you can apply their insights as go along – and this one is no exception. So I suggest you have a specific project in mind as you read and see what results you get from undertaking an assessment.

### **SECTION 1: ORGANISATIONAL CAPABILITY**



Chapter 2 introduces the **Organisational Culture model** and explain how it works. Chapter 3 describes the nine levels of organisational culture and gives examples.



Chapter 4 focuses on **process** management, the other side of organisational capability and brings into play the **Business Process Capability Maturity** model – a framework well-known to software engineers and one that helps us assess how well an organisation manages its processes.



I then bring the two models together in Chapter 5 to create a combined view of the capability of the organisation. This is the organisational capability baseline, against which I can look at the project – in other words, what new things the organisation is trying to bring in and how well it is coping with the changes.

## SECTION 2: THE PROJECT



This section starts by looking at the change project itself. First, in Chapter 6, I consider a common factor in many failed projects, the lack of a shared understanding among stakeholders of the objectives of the project.



In Chapter 7, I examine why complexity is often the enemy of success and introduce the Exponential Complexity tool. I have found this a particularly convincing way to change people's assumptions about their project.



Chapter 8 investigates what the real drivers for change are – and introduces the **Change Equation** which was the real starting point for my methodology, hence the title of the book. This is an extremely useful tool.

## SECTION 3: DELIVERING SUCCESSFUL PROJECTS



Chapter 9 is all about something apparently quite boring – process mapping and analysis. It may not be very exciting, but actually, the lack of **process visibility** is where a lot of projects stumble. The best projects I have come across have used process mapping to involve the end users of the new processes – the people who count – in inventing their own route-map to the future.

## 1. Introduction



The focus on process until this point made a simplistic assumption; that you can improve the way you do things by designing and managing your processes better. That is true for routine processes, but what do you do about processes that are not routine? Chapter 10 looks at how to identify and deal with non-routine work.



Another key barrier to success, as I have already signalled, is the lack of trust between people in many organisations. Chapter 11 reveals the **Trust/Cost** relationship. Sounds interesting – and it is! This chapter is also where I bring in the often difficult topic of what to do about external stakeholders.



There is always resistance to change, but it seems to be greater when you introduce technology – why is that? I have a go at getting to grips with this question – and what to do about it – in Chapter 12.



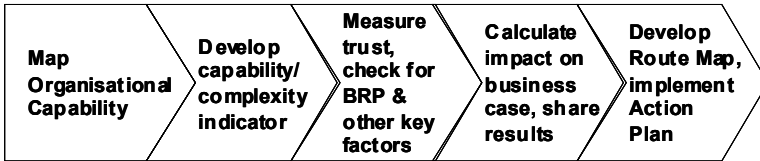
Selecting the right technology and good suppliers to help you implement it can be critical to a change project's success. Chapter 13 suggests five key questions to ask.



I promised that I would explain what the 'pull dynamics of benefits realisation' actually means and Chapter 14 is where I do that with the **Dynamic Benefits Realisation** model – a very powerful catalyst for change.

## SECTION 4: ASSESSMENT AND IMPLEMENTATION

This section is where I bring these models and tools together to offer



a practical toolkit to improve the success of your change projects.

Chapter 15 sets out a typical assessment and deals with how to quantify the barriers and apply the findings to a business case.

In most instances, it's the organisation's capability to handle change that needs attention in order to improve the outcome of change projects, so Chapter 16 looks at how to use the organisational culture model to develop a Route-Map to drive up the organisation's capability.

In Chapter 17 I suggest how to use all this data to develop an Action Plan to overcome the barriers to successful change.

Appendices: I have included a fully worked example of an assessment for reference at Appendix A, and have gathered together some of the other examples used throughout the book into short case studies for easy reference at Appendix B.

### ***Who should use INPACT?***

I have had a number of conversations with **project managers** who started by claiming that their projects are delivered on time and to budget and realise their planned benefits. When you quiz them, it usually turns out that this is a pretty unrealistic picture, but even then, they will tell you that the projects that didn't succeed (most of them) fell short for reasons that had nothing to do with them – the senior manager sponsoring the project left, circumstances changed, budgets were cut etc.

I have found that it is usually unprofitable to suggest to project managers that there is a better way, one that within a few days, and for a very low cost, would:

- Identify barriers to success in a planned project.
- Predict how these will impact on benefits.
- Quantify true costs and timescales of the project.
- Recommend the actions that need to be included to ensure success.
- Help to ensure that the key stakeholders (e.g. project sponsor, senior management budget-holders etc) recognise the issues and are on board with the need to address them.

I have had more success getting through to **senior management** stakeholders, such as finance directors, who appreciate, right away, the tangible outcomes of the assessment and the way it facilitates an objective dialogue at Board level to ensure that sufficient resources are included in the project plan to deal with the barriers.

Another group who like what INPACT can do are the **IT solution and service providers**. They know that a good year is when more of their client projects come in on time, within budget and deliver the planned benefits. That means they make a profit on the work, have the opportunity for on-sell with the client and can use the project as a sales case study. A bad year is when more of their client projects are delayed, overspent and don't succeed in delivering expected benefits. Profits go out of the window, no on-sell and no reference case studies. Most years are just on one side or the other of the WIN-LOSE divide but sometimes a project that goes badly can set them back years.

So what is the secret behind consistent profits for a solution and service provider? I would suggest it is:

- Understanding the risks and getting the client to understand them too, before agreeing the contract.
- Knowing what needs doing within the project – and outside it – to mitigate the risks and getting the client to do his part in ensuring success.

Using the INPACT models and tools can help to do both of these by providing an objective assessment for discussion at the start.

For both senior managers and their suppliers, I am really advocating the use of INPACT as a **due diligence** tool, to

supplement whatever methods are used at present. This becomes even more critical when planning a merger or acquisition, when it is essential to understand the cultural differences and capability maturity of both organisations. There are few other methodologies around that will help you to assess and benchmark these 'soft' aspects, quickly and objectively. The same is true for venture capitalists wanting to invest in a company. Failure to spot the weaknesses in the company's capability to manage change will seriously jeopardise the return on their investment.

Finally, INPACT can contribute significantly to the development of **collaborative and partnering** ways of working. Government is increasingly demanding that UK public sector organisations move to collaborative and shared service working, in response to the relentless pressure to 'do more for less' and to become more 'citizen-centric'. Collaborative working and shared services provision is extremely challenging to even the best managed organisations. A key consideration is whether the culture and business process capability of each of the partnering organisations is sufficiently mature to accommodate the transition and operation of an effective collaboration or shared service. It is rare that this is considered in an objective, quantified way. The government's Gateway Review process, for example, doesn't include these aspects.

### ***When to use INPACT***

Clearly, the best time to use INPACT is before the start of a project. If you apply the assessment tools when scoping the project and building the business case, you can avoid overspend and delay and reduce the risk that benefits don't come up to expectations. Having identified the barriers to success at the start of a project and put in place actions to deal with them, you should be able to introduce key elements of process transformation and culture change that will ensure a successful project.

Re-applying the assessment tools during the course of a project or programme will allow you to track and calibrate progress objectively, which will help you to adjust your programme and sustain its momentum. It should also allow you to manage any

unrealistic expectations and maintain users' commitment to making the changes that will deliver the benefits.

What if the results of this assessment show little or no progress? Or the project is not delivering the desired changes? The methodology should enable you to establish and bring out the underlying roots of the problem/s and work with the key stakeholders to develop an action plan to deal with these. Using the relevant INPACT tools, you will be able to engage and turn around the key 'blockers' of progress and support your ongoing implementation programme to a successful conclusion.

### ***And finally***

The methodology described in this book is deliberately high-level and intended to enable an organisation to assess whether a project is likely to succeed in delivering the expected benefits, on time and within budget. It is *not* meant to replace in-depth analysis nor the application of professional project and change management tools. But it will indicate where these are needed.

I have used a number of examples in the book, drawn from my experience and that of people – both clients and colleagues – with whom I have been discussing the principles of INPACT. The stories are there to reinforce a point, so will have been simplified – undoubtedly, the real life situations were far more complex.

Unless that information has already been the subject of a published article, I have not revealed my sources or the names of the organisations involved. I know that my peers in management literature like name-dropping, but confidentiality was usually a condition for revealing the worst horror stories.

You are welcome to adopt and adapt these models and tools, as I have done; feel free to use them to improve the outcomes of your projects, but do please acknowledge your sources and check with me before republishing any of these materials.