



Lost in Translation: Why Culture Change Initiatives Fail

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Foreword

We have entered a new stage of global economic growth: business has changed profoundly – driven by aggressively advancing technology and a volatile global economy. Trade flows have shifted, the pace of change has accelerated and higher levels of risk and uncertainty are the norm. Successful companies need to harness the energy of their employees as they seek new and sustainable growth opportunities. They need to be inventive, agile and change enabled with a culture of initiative, urgency and innovation.

It is against this backdrop that this report has explored how companies are making use of management consultancies: in particular, how critical elements of culture change are being delivered to UK PLC. It discovers that a new model of management consultancy is needed. The demands and aspirations of businesses that are future proof are not being met by the current approaches of many consultancy interventions.

A key finding is that UK PLC now needs management consultancies to focus on how they engage with their people throughout the change process by getting employees involved in the diagnosis of issues and the development of options. In that way, they will generate the best insights and ensure that solutions and project recommendations will be taken forward by the business.

Secondly, firms need management consultancies to address the expertise they bring to a project. The central model of consultancy has its roots in the early 20th century and is one of a 'detached expert': someone who brings the disciplined tools of finance, operations, organisation and strategy to solve a problem. These are still relevant, but we must add key relationship skills - the ability to listen, empathise and understand the softer cultural facets of the organisation. They need to be able to coach and support the client through a change programme. Instead of the 'sage on the stage', employees require a 'guide by their side' to inspire ideas and confidence.

Finally, a successful engagement must focus on execution and implementation. In bringing the right mix of skills to a project, and engaging people from within the organisation in the process, the consultancy can provide the right foundation for success. Execution is about ensuring the organisation understands what needs to be done and can manage the change well. It is not simply providing a project plan for execution, but getting the organisation ready and able to change.

The report suggests that companies should demand a new form of management consultancy: where the consultancy is highly skilled in working with them at a deep level. Most importantly, they need to help unlock the potential of the business and co-create business solutions with them, while being an expert in supporting their implementation. It is time for change. There has never been a better time for businesses to re-evaluate how they use management consultancies to boost performance.



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9 June 2013

Executive Summary

Across the UK, business leaders are facing the same strategic challenges – how to boost and sustain productivity and innovation to get ahead of the curve. Similarly, in the public sector, leaders are struggling to reconcile the need for financial savings with the drive for significant performance improvements.

At the root of these demands is a loaded phrase: culture change.

But how do leaders inspire and drive a fundamental change to the way their organisation thinks? How do they create a culture which promotes and prioritises the engagement of its people? And crucially, how do they design and implement a programme that embeds lasting change?

The challenge is not new. But in today's climate of economic retrenchment, finding its solution has never been more pertinent or more valuable.

For many years, businesses seeking advice and guidance have turned to external advisers. They have sought the expertise of those in the practice of business transformation to assist in the design and implementation of culture change. Our thesis followed their line of thought.

We proposed that large consultancies with a breadth of experience across global enterprise would deliver long-lasting culture change programmes for their clients. Our hypothesis was that specialists in human resources would unlock the potential in organisations by creating tirelessly engaging cultures. We were surprised by the findings.

We asked 160 CEOs and C-suite level business leaders, including 42 FTSE CEOs, to describe their experiences of engaging consultants to assist with culture change programmes. We sought opinions across three main areas: the nature and quality of advice received; the perceptions of companies providing advice; and the degree to which advice is or isn't implemented.

The survey revealed the overwhelming majority of companies had used management consultancies in their business – a resounding 80%. A quarter of these firms cited employee engagement as the reason for their engagement, and our findings confirmed that nearly two thirds (64%) of this latter group feel their organisations require a change in culture.

But from here, the research begins to prove our thesis wrong. The problem stems from the issue of employee engagement. Our findings reveal less than half (46%)

of employees are engaged by the recommendations made by management consultants. As a result, only half of these recommendations are fully implemented, and in turn, only 50% of surveyed FTSE companies claim a return on investment. Even when there is evidence of comprehensive implementation, over a quarter (27%) of our respondents said initiatives didn't lead to lasting change within their organisations.

Overall, CEOs feel disillusioned. Despite spending millions of pounds on culture change programmes by management consultancies, hardly any companies are achieving lasting results. The reports they receive are heaving with statistics and recommendations, but many are ultimately consigned to the dustbin. These leaders are reluctant to estimate the actual cost of a programme's failure but there is no mistaking their resounding disappointment. The upshot is that 48% of CEOs have now lost faith in traditional management consultants' ability to deliver organisational change.

The problem is clear. But the buck does not stop with recommendations being made by the consultancies themselves. The real failure is occurring at the point of implementation, coupled with a crippling lack of employee engagement. This combination of elements is preventing the change in culture that UK business desperately needs. There is no denying that those requiring culture change need a better way to ensure they achieve change that lasts, but the current model of consultancy is broken.

WHAT DO CEOs MEAN BY CULTURE CHANGE?

“It's a new way of thinking in an organisation that is aligned with the strategic goals of the organisation and based on the shared values of a company's employees. Changing a company's culture is one of the hardest things you can do in business; it has the power to make or break a company.”

FTSE CEO, May 2013

Methodology

Research was conducted with Vision Critical in May 2013, with a sample of 160 respondents including 42 FTSE CEOs, 56 UK CEOs and 62 C-level (UK chairman, presidents, principles, and board members, of whom 16 work for FTSE listed companies).

Setting the Scene: The Engagement of Management Consultancies

The current economic climate and competitive business environment has posed a new set of challenges for UK businesses. In a fundamentally shifting global economy, conventional cost improvement initiatives are no longer sufficient. As organisations are driven to seek innovative solutions to increase profit and drive growth, there has never been more of a need for successful interventions by management consultancies. Our research focused on how companies are engaging with consultancy firms, and their ability to provide sustainable, expert solutions.

The majority of respondents (80%) use a management consultancy, reporting combined expenditure on these services of as much as £80m in the last 12 months alone.

The top five services most widely provided by management consultancies were:

1. Strategic Consultancy (43%) - help with future planning (which may include developing a growth strategy, mergers and acquisitions, restructuring, marketing internationally, buying/selling assets, targeting emerging markets, or revitalising lead generation)
2. Operations / Business Transformation Advice (38%) – helping to increase productivity by improving business processes
3. Financial Insight (32%) - provide advice on matters such as pricing securities, business valuation and economic forecasting
4. Technology Consultancy (32%) - help in utilising new technologies for optimal effectiveness
5. Quality Management (26%) - improving the quality of products and services

Nearly a quarter (23%) of CEOs have used management consultancies to help boost employee engagement.

The top five reasons cited for using a management consultancy were:

1. To provide an external objective perspective (38%)
2. To dedicate a team to tackle a specific issue who were not distracted by the day to day running of the business (32%)
3. Compared to an internal resource, management consultants have better experience in solving specific problems (28%)

4. Using a management consultancy was easier and more economical compared to creating an internal team to solve the problem (26%)

5. To implement a solution (25%)

A fifth of the sample hadn't used management consultancy services at all, a number of reasons were given to explain their stance.

72% said they could not justify the cost of consultants. Nearly all (91%) worried that hiring a management consultancy would be a waste of money, while a similar amount (94%) agreed they'd be concerned that a traditional management consultant would simply write a lengthy report that ends up left on the shelf.

Seven out of ten do not believe that their company would implement the recommendations of a management consultancy properly, while a significant majority were concerned that management consultancy initiatives would not last.

Interestingly, the vast majority believe an organisation's employees, not management consultants, are the best solution to a problem – in fact more than three quarters believe that their star employees could do the same job as a management consultant if they had the time and resources available.

A further 84% feel that management consultancies are likely to fail to drive culture change within their organisation. This is because many do not believe their employees would be engaged by management consultant recommendations, or simply do not think management consultants can deliver an increase in productivity.

“Companies use management consultancies as they bring a focused objectivity to engagements – the risk is that they operate in a way that is disconnected with people in the business, so that their recommendations do not resonate with the staff that are likely to be involved in implementing their report.

As many as 50% of traditional management consultants' reports and recommendations are 'left on the shelf' – the risk is that high expectations of change are set by the project, yet not delivered. Motivation and staff engagement can suffer.”

Prof. Dominic Swords

Implementation is Key

The test of a successful management consultancy engagement is if it leads to lasting culture change and a sustained return on investment. Implementation is key – execution that is timely, clearly understood and communicated, which empowers employees to take over and carry on after the management consultant has left the building.

Our survey set out to discover the nature and quality of advice received and the degree to which this guidance was implemented with lasting effect.

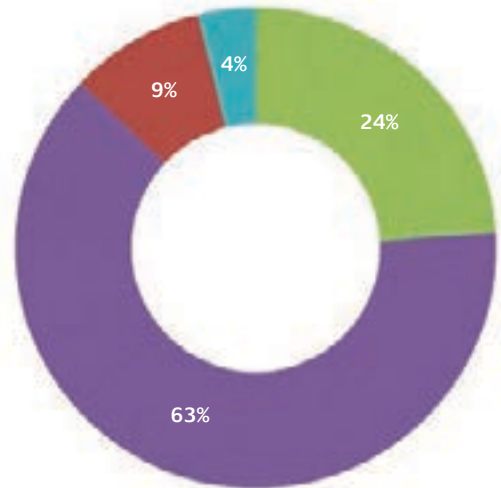
The results were startling. The overwhelming majority (91%) of all respondents don't feel the recommendations made by management consultant are ever comprehensively implemented.

Of those that use consultants, more than half (52%) stated the management consultants employed failed to deliver on their culture change promises. This is critical, as three quarters (73%) reported that when culture change initiatives were properly executed, the effect within their organisation can be lasting and sustained.

Unsurprisingly therefore, nearly half (48%) said they've lost faith in traditional management consultants' ability to deliver organisational change. This increases to 70% of respondents who run companies with a turnover of between £20m-£35m, and remarkably, 100% of C-suite respondents directly involved in procurement. Those most closely involved in the decision to engage management consultant see this deficiency most strongly.

Finally, nearly six in ten (58%) FTSE CEOs felt that management consultants delivered little to no improvement in productivity gains. What our research shows is that the ability of a management consultancy to provide an expert solution to a specific need is only part of the answer. Implementation is vital.

What proportion of management consultancy recommendations are implemented?



- A minority or none at all
- Some
- All
- Unsure

“Up to 50% of companies had not properly or fully implemented their management consultancy reports, 50% say they did not see a discernible RoI and nearly half say they have lost faith in the traditional management consultancy methodologies – the risk of a successful management consultancy intervention is the same as a toss of a coin.”

Prof. Dominic Swords

A Lack of Engagement

When the success of a business depends on the motivation and engagement of its workforce, the importance of involving those employees in the recommendations and applications of management consultancy advice is paramount.

This is not simply to guarantee the accurate collection of information to inform the consultants' report. Critically, by engaging employees in the process of culture change, and allowing them to observe the influence of their contributions, it ensures everyone is invested in its success.

Our survey revealed this to be the missing link in consultancy-driven programs of culture change. More than half (54%) of the respondents reported that employees were not engaged by management consultants' recommendations. This figure rose to 60% amongst FTSE CEOs, and 70% of the C-suite involved in HR/finance/accountant functions.

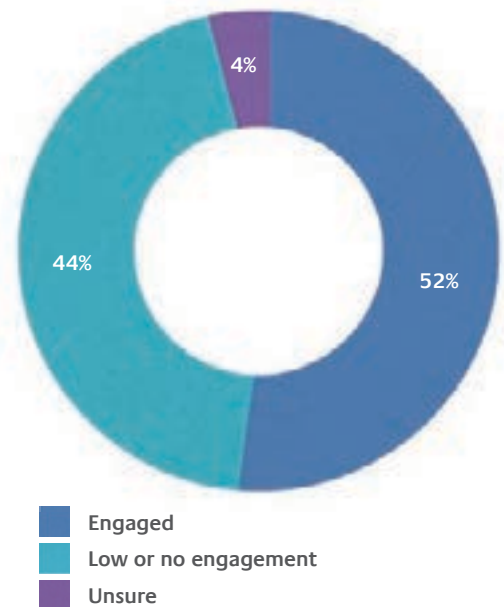
Three of the key reasons cited for this are:

1. Employees feel unable to influence change within the organisation
2. A lack of accountability within the workforce
3. People are being asked to work harder, yet many are still facing pay freezes/cuts and a lack of incentives due to the downturn

Accordingly, half of respondents admitted the need for culture change within their organisation specifically to boost employee engagement and productivity. However, only 23% of the CEOs in survey say that they have specifically used management consultancies to boost employee engagement.

Despite an overwhelming majority (90%) of respondents claiming their own staff are best suited to solve the issues facing the business, when it comes to culture change, most say they either 'don't know what to do about it' or that 'no one is ready to change it'. Leaders are clearly struggling to harness the skills and know-how of their workforce, however, with employee engagement crucial to driving lasting culture change, businesses need to start thinking about how they will overcome this challenge.

How engaged is your workforce?



“The very skills that management consultancies traditionally bring to a project – of objectivity, detachment, specific know-how and speed of delivery – may inhibit deep or effective staff involvement – the risk is the project does not lead to sustained and embedded change.

The majority of companies say that their top talent could undertake many of the tasks given to management consultancies – the risk is that these potentially career enriching assignments are not given to internals who may feel a lack of influence over the business – this is a key driver of engagement.”

Prof. Dominic Swords

Conclusion

Culture change isn't easy. But it can mean the difference between business success and failure. Nearly two thirds (64%) of FTSE CEOs say their organisation requires a culture change to boost employee engagement and therefore productivity. However, less than one in seven (14%) respondents said they had brought in management consultancies to drive culture change and many feel their organisation just isn't up to the challenge. Of those who said their company required culture change, our research found that:

- Nearly half (46%) say they need culture change, but don't know what to do about it
- Nearly a third (29%) say they have tried to change the culture before, but it hasn't worked
- A quarter (25%) say culture change is needed, but no one is ready to do anything to change it

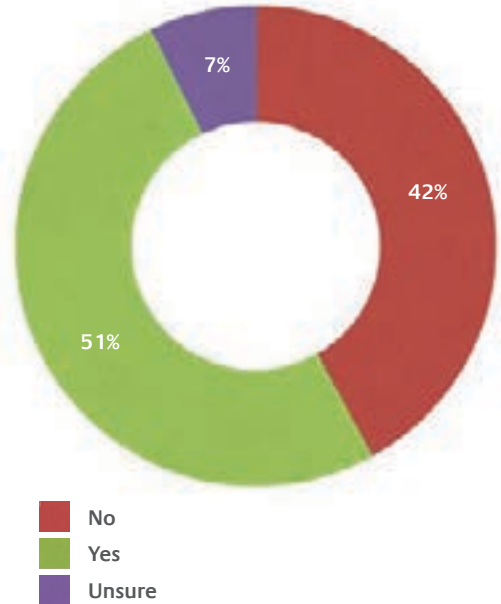
These results may speak for themselves, but the underlying set of circumstances is more complex. The failure of management consultancies to achieve culture change is not specifically because the recommendations they offer are wrong. It is because they aren't being implemented in full – 91% of respondents reported this. Yet when comprehensive implementation occurred, three quarters (73%) said initiatives led to a lasting change for the organisation.

Furthermore, against a backdrop of economic uncertainty, a climate of pay cuts and freezes, as well as a lack of workplace incentives to improve and excel, employees are disengaged. They are disenchanted not only by the recommendations of external consultants, but by their own companies' efforts to involve them in the process of internal transformation.

Employees at every level need to be actively engaged at every stage of the process. They must feel able to influence change and understand the importance of their role in the organisation, the firm's goals and the purpose of the culture change initiatives that are undertaken.

Traditional solutions aren't working. A different approach is needed; one that guarantees employee engagement alongside effective implementation. Only then will UK businesses be able to sustain change and dramatically improve productivity.

Does any part of your organisation require culture change?



“Three-quarters of companies say that, at their best, well implemented management consultancy advice can lead to a lasting culture change. The risk is that the company becomes dependent on the management consultancy relationship and each time a new change is needed the consultancy needs to be used. This does not develop a self-managed ‘change-enabled’ business which is a key characteristic of successful companies that need to operate in this new global era of change, innovation and uncertainty.”

Prof. Dominic Swords



The end of consultancy.

When business gets stuck it calls for help. It comes in the shape of fat reports that end up mostly unread, largely unimplemented and often in the bin. There is, however, a way to improve performance – dramatically so – that turns not to outsiders but instead looks inwards.

A way that utilises the assets that business – every single business – already has. They turn up to work every day.

People hold the key – the men and women who run an organisation from shop floor to top floor. Those closest to a problem are best placed to identify the solution. Why not allow your employees to become their own consultants? If you give them the freedom to question the way they work and the permission to share their thinking, you liberate their creativity.

Even tiny innovations build up to staggering effect. Productivity improvements of over 40% are commonplace. And whether the activity is service or manufacturing, quality of output is measurably better.

How can we say this with such certainty? Because we've done it. We turned Unipart, once the parts division of British Leyland, into a successful multi-disciplinary and global business.

Our method has a name. We call it The Unipart Way. We use it in every division of our business, in every office, factory and warehouse. And we are very happy to share it with you.

Our Expert Practitioners will roll up their sleeves and work with you, training everyone in your organisation to use a remarkably simple yet staggeringly transformative set of techniques; giving everyone the ability to effect change that endures.

When it comes to the wider issues of business strategy – globalisation, diversification, merger and acquisition and so on – there will always be a place for the objectivity and wisdom supplied by well-chosen outsiders.

But if you simply want to turbocharge your company's everyday performance, try unlocking the potential of the assets you already have; try The Unipart Way. You can find out more at TheUnipartWay.com