



THE
NETWORKED
LEADER

RESEARCH REPORT:
CHANGE LEADERSHIP 2018/19

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Introduction



This year's research clearly shows how change leaders are accepting and adapting to ongoing global uncertainty and business disruption as the new normal. After twelve months of driving efficiencies through improvements in governance and business processes, new markets and new products are back on the boardroom agenda. Brexit continues to cast a shadow of uncertainty across all sectors and clearly optimism about any positive impact it could have remains low in the short term. However, change leaders are embracing this uncertainty and visibly indicating that their change programmes will once again be focusing on making, rather than saving, money.

Change leaders are changing: they are more agile, more responsive and increasingly aware of the threats and opportunities that surround them.

Change leaders are thinking smarter about how to neutralise the negative pressures on their businesses, particularly in terms of skills shortages and international competition. As a result, they are rethinking the strategies they use to make them more agile in the face of change. Whilst governance and well-defined project boundaries remain key to successful change management programmes, leaders are balancing this by using more autonomy and informal communication to engage the hearts and minds of their disparate stakeholders. Change leaders are also embracing their successes and reviewing their failures more than ever before.

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About the respondents

The insight from this research was gathered from 245 business leaders responsible for change programmes. They represent a broad range of industry sectors from technology to charities. Their job roles encompass Chairs and CEOs (24 per cent) and overall 54 per cent are C-suite and 46 per cent other senior executives. Most respondents are aged between 50 and 60 (54 per cent) and 30 per cent are aged over 60. Disappointingly, but comparable with earlier research, only 18 per cent of our respondents were female. A significant number (29 per cent) are working within organisations with 5,000+ employees.

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Impact Executives is a leading provider of interim executives to organisations of all sizes around the world. With offices covering the UK, the Nordics, Europe, Asia Pacific and North America, Impact Executives is part of the global recruitment specialist Harvey Nash Group plc. Over the past 20 years it has helped more than 2,000 organisations to engage interim experts at short notice to help them manage periods of growth and transformational change.

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The Power of Talent

1 The challenges ahead

Change leaders are acclimatising to global uncertainty and rethinking their strategies. A renewed outward focus is reflected in concern surrounding international competition and skills shortages.



Global uncertainty as a challenge is just 4 per cent, **down significantly** from 11 per cent **last year**.

p.4

2 What drives your business?

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Of our respondents, **46 per cent** plan to use more **informal methods** to communicate within their next change programme.

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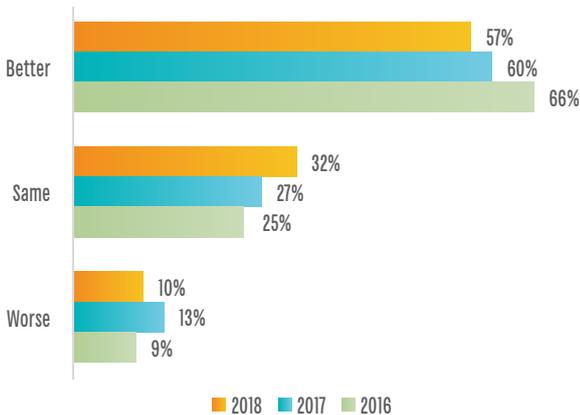
Embracing '**psychology of change**' is acknowledged as the most important factor in change management projects (**58 per cent** this year).

p.13

1 The challenges ahead

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Organisational performance for the next 12 months



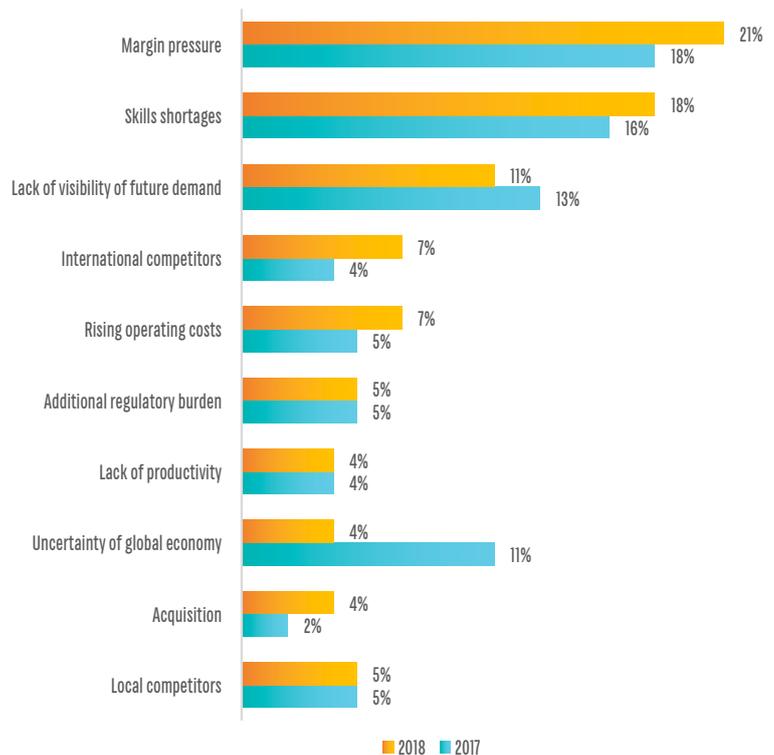
How do you think your organisation will perform over the next 12 months compared with last year?

In terms of organisational performance, a general air of pessimism that began in earnest last year appears to still linger throughout our participants' responses. Although 57 per cent of our change leaders expect their organisations to do better in the coming year, this is a 14 per cent drop from levels in 2016. Slightly encouraging is the fact that in 2018 more are saying that they expect the performance to remain static rather than last year's expectation that their businesses would do worse.

57%
of change leaders expect their organisations to **do better** in the coming year.

When it comes to the type of challenge that our change leaders are facing, margin pressure remains a growing and ever-present issue. More than one in five of this year's respondents state it as their primary challenge, a 17 per cent increase compared with 2017. This is unsurprising given continued currency pressures, increases in the price of raw materials and the absorption of 'living wage' costs. Skills shortages also remain high on the agenda and have increased from 16 per cent to 18 per cent over the last 12 months, in likelihood driven partly by concerns over border legislation, visas and labour migration, as well as the increasing demand for technical skills.

Organisational challenges



What is the single biggest challenge your organisation faces?



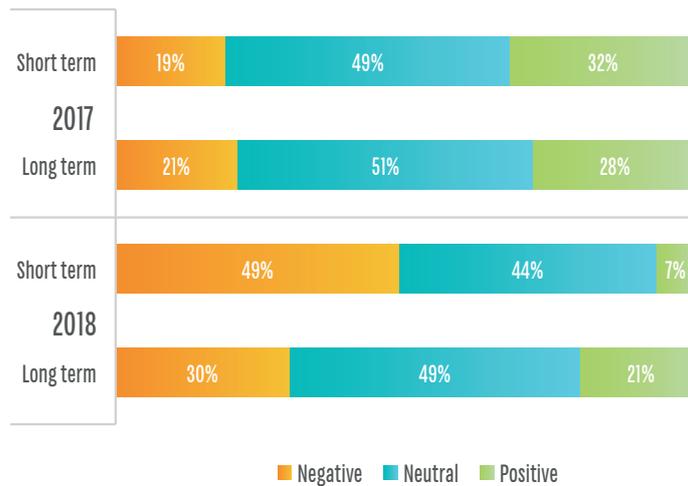
Global uncertainty as a challenge is just 4 per cent, **down significantly** from 11 per cent **last year**.



Respondents are almost **twice as concerned** with **international competition** in 2018 compared with last year.

The most notable fall year on year is our change leaders' reaction to global economic uncertainty, down from 11 per cent last year to just 4 per cent in 2018. This suggests that our respondents are regrouping and rethinking their strategies and responses. Part of this reaction can be seen as moving towards more outwardly focused challenges. At 7 per cent, our respondents are almost twice as concerned with international competition in 2018 compared with last year.

The Brexit effect



What do you expect will be the overall impact to your organisation of the UK voting to leave the European Union?

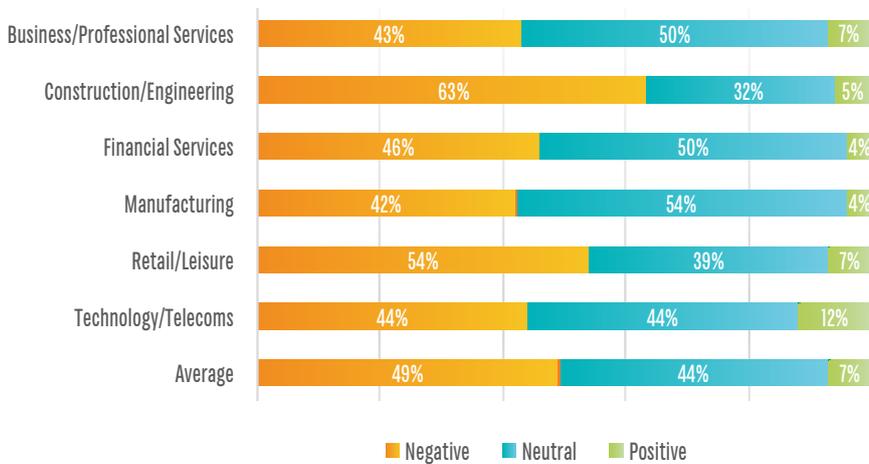
In last year's survey we asked our respondents specifically about the effect of Brexit on their organisation and we asked the question again this year. Last year our leaders were more equally divided about whether Brexit would have a positive or negative impact. This year our change leaders feel even more despondent about the negative consequences of Brexit, both in the short and long term. Almost half (49 per cent) are feeling

the rough side of Brexit in the short term, and qualitative responses cite currency fluctuations, barriers to trade and a loss of business confidence affecting their investment plans. One respondent's quote appears to summarise many of our respondents' qualitative responses to this question: "How can damaging a large market that is politically and geographically close to you be anything other than negative?"

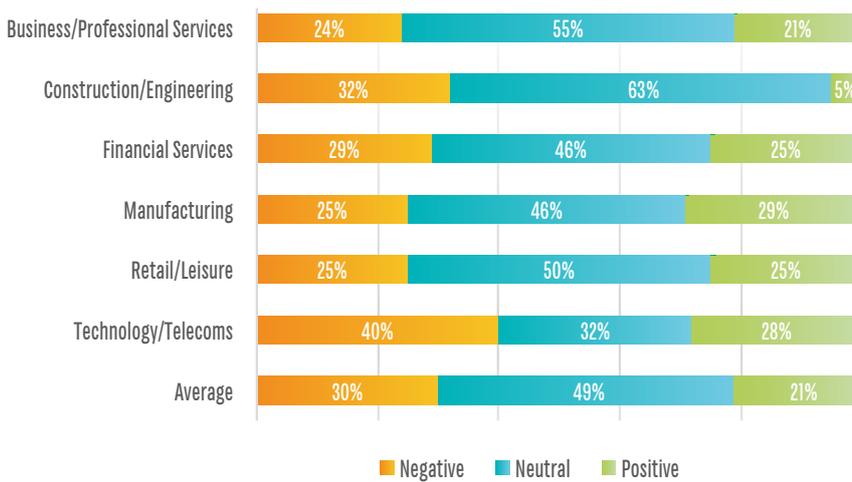
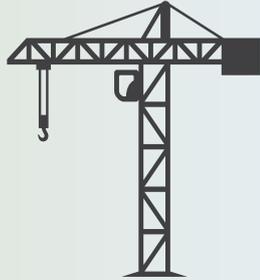


70% of respondents expect a **neutral or positive** impact from **Brexit** in the long term (but 79% last year).

Short-term effects of Brexit by sector



Long-term effects of Brexit by sector

The **Construction and Engineering sector** is the most negative about the long-term effect of Brexit, with only **5 per cent** thinking it will have a **positive effect**.

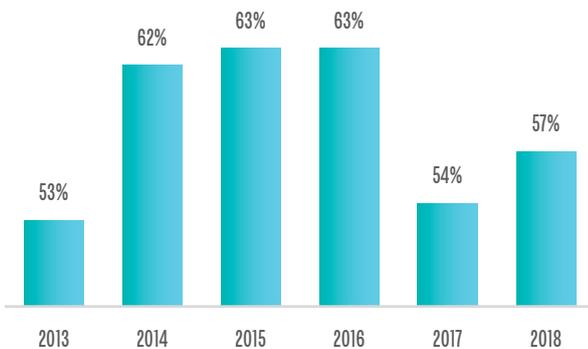
When looking at how different sectors feel about Brexit in the short term (0–3 years), there is despondency across the board. Almost half (49 per cent) of all our survey respondents see a negative short-term impact and the Construction and Engineering sector is feeling particularly gloomy at 63 per cent. Very few, less than one in ten, see it as a positive and only the Technology and Telecommunications industry appears to be marginally more optimistic than the average. That said, if we combine the neutral and the positive outlooks, more than two-thirds (71 per cent) of change leaders are feeling unconcerned or positive about its impact.

With the exception of the Construction and Engineering sector, whose gloom continues, there is a slightly more buoyant outlook for the long term (4+ years). More than two in ten of our change leaders can conceive of a positive effect further down the line. Manufacturing is marginally the most optimistic, possibly because it is the sector most likely to benefit from currency devaluation and its effect on exports. Technology and Telecommunications is the sector most likely to recognise that Brexit will affect them for either good or evil, with just under one in three taking a more ambivalent stance.

What drives your business?

Change leaders are less concerned with driving internal efficiencies to reduce costs and more likely to be looking at new regions and products to generate future revenues.

Annual trend for focusing on growth



Which of the following best describes the overall focus of change in your organisation in the next 12 months – growth or cost saving?

When we asked our change leaders last year about the drivers for change within their organisations, we saw that their focus had shifted to internal business processes and money-saving exercises. We interpreted this to be a direct result of the uncertainty surrounding the geopolitical climate. The UK had voted for Brexit and was about to trigger Article 50 signalling its intention to leave the European Union and there was a new and vocal Trump administration in the USA. In 2018, our change leaders are showing their adaptability to adverse climates: last year's focus on cost-cutting has declined in importance (down by 9 per cent) and our respondents are beginning to look at growing their business again (a 6 per cent year-on-year increase) despite the uncertainties they may face.

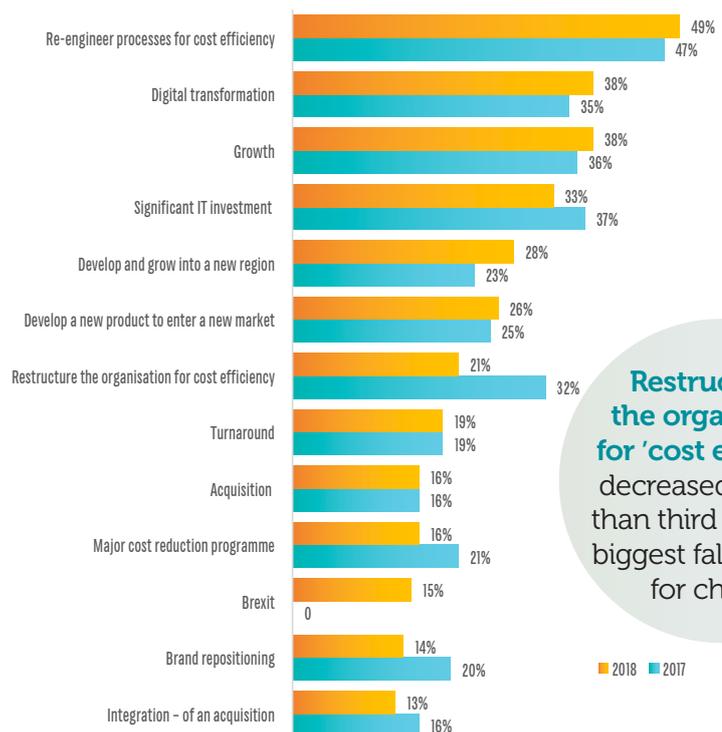


Our respondents are beginning to look at **growing their business** again (a 16 per cent increase on last year).

The biggest fall in drivers for change compared with last year's research is 'Restructure the organisation for cost efficiency' whose rating has decreased by more than a third (34 per cent), falling from 32 per cent in 2017 to just 21 per cent in 2018. Brand repositioning has also tumbled by 30 per cent. Indeed, all drivers concerned with restructuring have fallen compared with last year.

In 2017, global uncertainty loomed large and, in an echo of the traditional 'Serenity Prayer' uttered in stressful situations, it appeared that our respondents were focused on controlling the things that were possible to control. They turned their attention inwards towards the business: refining processes, cutting costs and making efficiencies. This year, their heads seem to be rising back up and their thoughts and drivers for the business becoming more outward-looking again. This theory is supported by the growth in drivers specifying new regions and new products. Almost a third (28 per cent) are looking at which new region they are going to get their business from in a post-Brexit world.

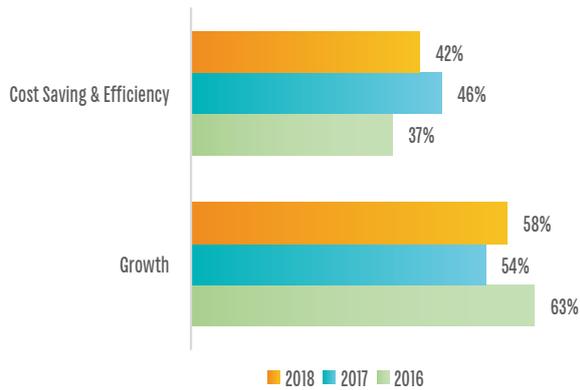
What are your drivers for change over the next 12 months?



Restructuring the organisation for 'cost efficiency' decreased by more than third (34%), the biggest fall in drivers for change.

To what extent are the following factors drivers for change for your organisation over the next 12 months?

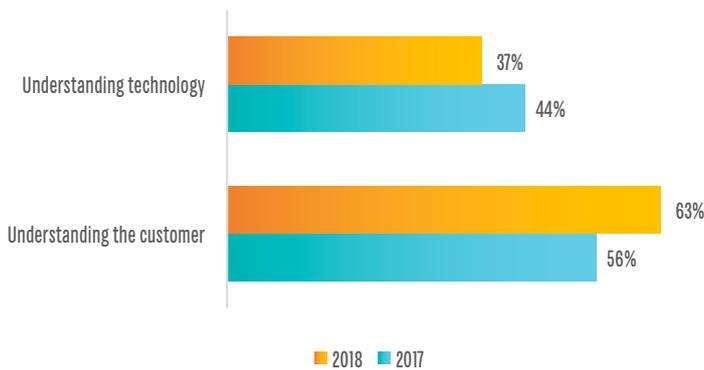
Focus for the organisation



Which of the following best describes the overall focus of change in your organisation in the next 12 months?

With the UK having voted for Brexit in June 2016 and having triggered Article 50 in March 2017, our research last year reflected uncertainty – with an increased focus on saving money (up 24 per cent). This year’s research sees its importance shrinking back towards previous levels as negotiations continue on what Brexit might actually mean. Our change leaders are once again putting ‘making money’ at the forefront of their agenda, reflecting that the ‘regroup and refocus’ mentality of 2017 is almost at an end.

Organisational focus for innovation



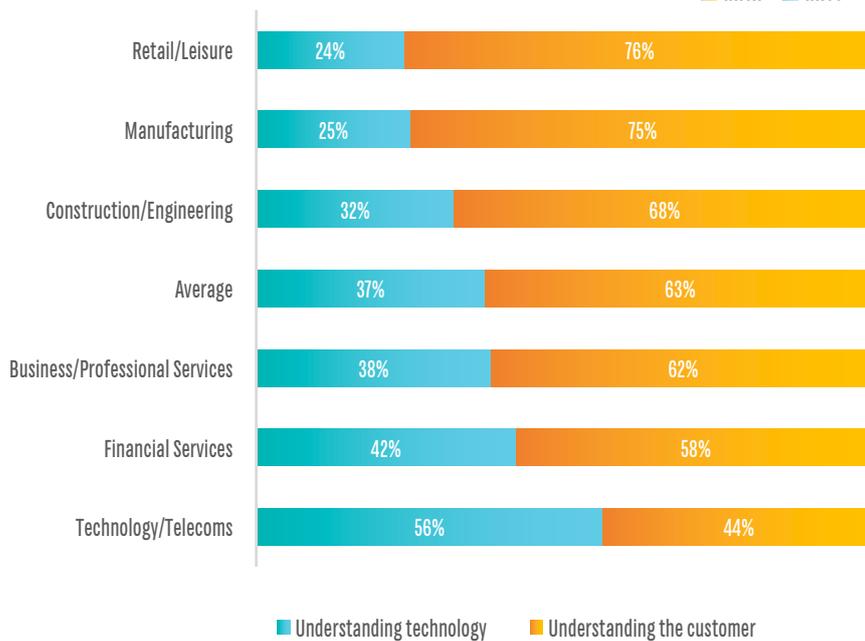
Is your organisation more likely to innovate through understanding customers or understanding technology?

This year’s survey shows a significant rise in change leaders choosing to innovate through understanding the customer rather than technology: last year 56 per cent chose this driver and this year 63 per cent, a 13 per cent jump year on year.



There has been a **significant rise** (13 per cent) in change leaders choosing to **innovate through understanding the customer** rather than technology.

Sector focus for innovation



Is your organisation more likely to innovate through understanding customers or understanding technology?

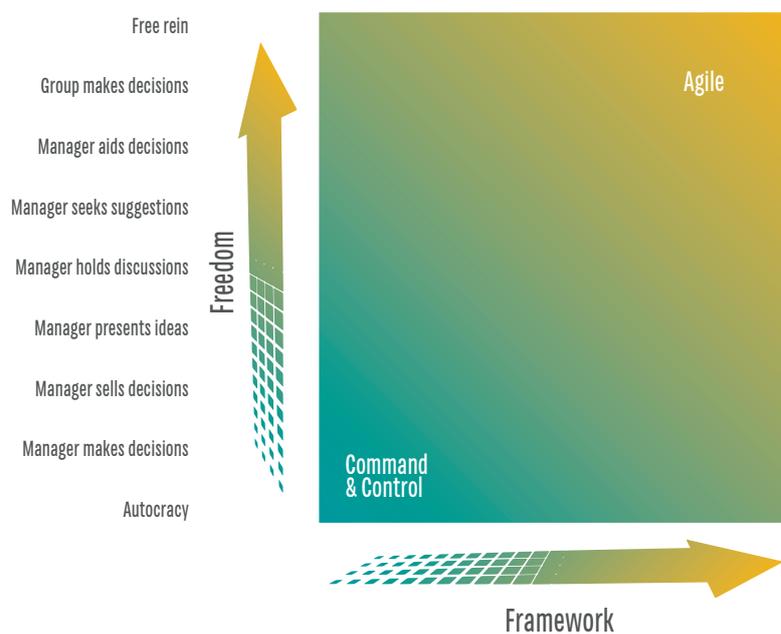
As we would expect, the Retail and Leisure sector is leading the way with innovation through understanding the customer, and the Technology and Telecommunications sector with innovating through technology. Being customer focused is all very well, but as Henry Ford noted: "If I asked my customers what they wanted they would have asked for a faster horse." The traditional approach to delivering change programmes is to be prescriptive and launch the programme with a big bang and, like a waterfall, let change trickle down the organisation losing impact and effectiveness. Big bangs, however, can mean big fails.

Agile change programmes are iterative processes that focus on customer value first, team interaction over tasks, and adapting to current business reality rather than following a prescribed plan. The agile approach has the ethos that 'it's OK to fail' but 'fail fast, learn and move on'. It develops the innovation journey by offering maximum flexibility and minimum constraints. Agile started as an innovation in delivering technical solutions but now it can be applied successfully across an organisation – it is particularly embraced by change leaders.

It's all about leadership

Change leaders are balancing the combination of structure and governance with developing more agile approaches to change management programmes.

'Command and control' vs 'freedom within a framework' matrix



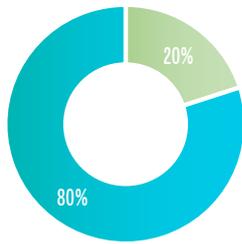
A lot of how people behave, react and commit to change programmes is driven by the prevailing culture determined by the balance between 'freedom' and 'framework'. The ability of people to work together and solve problems stretches between the 'free' space of making wholly autonomous decisions, and having a structured 'framework' that guides them to choose from a range of well-defined options as solutions and allows them the option to escalate when the boundaries of the framework are reached.

Best-practice agile leadership recognises that the group closest to the customer or stakeholder with the problem will make the best decisions on how to solve that problem if they are empowered to do so, provided that they can escalate any issues when they stray outside the boundaries of their framework. Making the wrong decision is an opportunity to learn from mistakes; agile change leaders allow their people to make mistakes but support them so they don't fail. Having a well-defined framework also allows issues that could negatively affect the business to be

escalated before they have chance to do so.

In a command and control system, the change leader prefers to be considered an authority figure with the final say on workplace decisions. The level of discipline and structure encouraged by these leaders can be very beneficial for teams that need to meet precise deadlines or work with specific procedures. However, command and control leadership can sometimes become restrictive and may limit other team members from developing their own leadership qualities.

Leadership style



■ Command & Control ■ Freedom within a framework

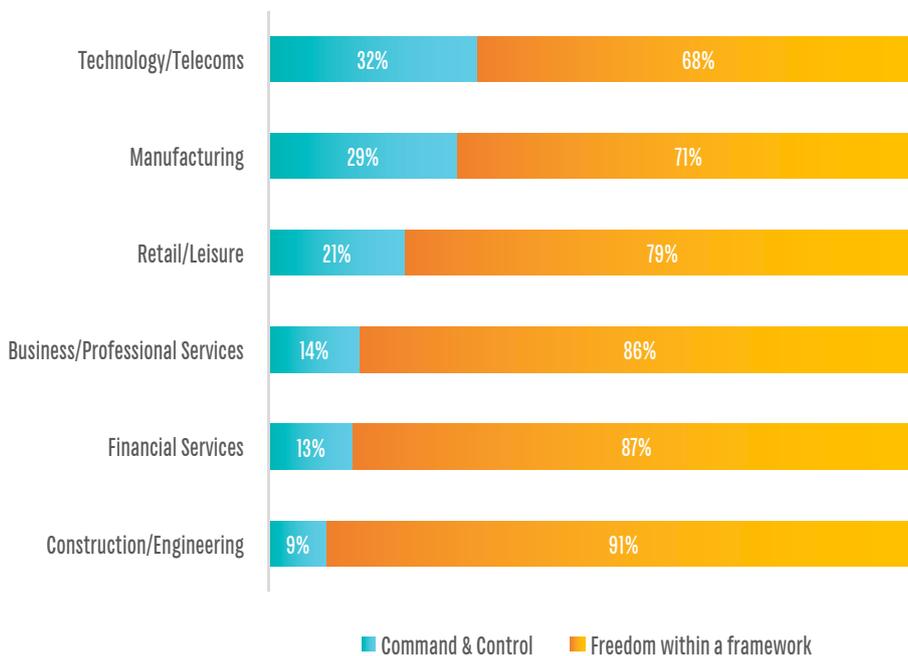
Thinking of your last change programme, how would you describe your leadership style?

A large proportion of our change leaders (80 per cent) describe themselves as using a leadership style that can best be described as ‘freedom within a framework’. Only 20 per cent use the more traditional ‘command and control’ methods. Our research found that there was no marked difference in leadership style in correlation to gender, despite the stereotypical assumption of males being more dictatorial.



A **large proportion** of our change leaders (**80 per cent**) describe themselves as using the leadership style ‘**freedom within a framework**’.

Leadership style by sector



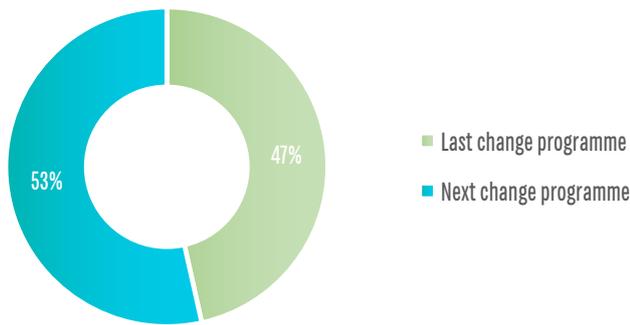
■ Command & Control ■ Freedom within a framework

Thinking of your last change programme, how would you describe your leadership style?

Sectors that operate within a well-defined compliance and governance framework are those most likely to have change leaders who allow more freedom within their leadership style. The propensity for change leaders to be more dictatorial

within the Technology and Telecommunications sector is perhaps in part due to the large amount of variation across projects, the pervasiveness of digital and the large degree of impact that digital change has across the entire organisation.

Use of informal leadership style



Thinking of your last and next change programmes, what percentage of your communication would you describe as informal?

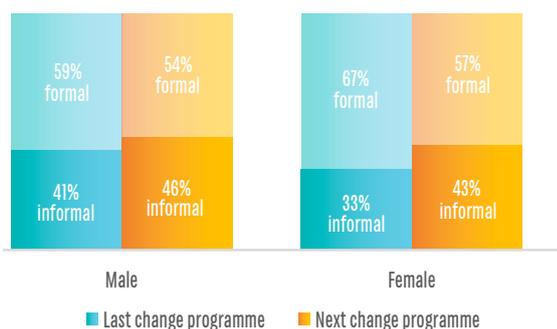
Of our respondents, **46 per cent** plan to use more **informal methods** to communicate within their next change programme.



Implementing major change in an organisation is a complex and challenging task. Successful change programmes cumulatively create change in individuals through socialising change effectively to win both hearts and minds. A significant part of this is being able to communicate effectively. Change leaders must find new ways to connect to their stakeholders and communicate in a meaningful and relevant way.

Effective communication is tailored to the community it attempts to engage with in terms of content, tone and media as opposed to adopting a blanket approach for all. Our research shows that while it is still prevalent, with 60 per cent of respondents using formal communications, there is a move away from the 'information waterfall' and a trend towards more fluid and multi-directional informal communication.

Gender split for informal communication



Thinking of your last and next change programmes, what percentage of your communication would you describe as informal?

Of our respondents, 46 per cent plan to use more 'watercooler' moments in their next change programme. Interestingly, female change leaders are slightly more likely to use formal methods as part of both their recent (67 per cent) and future (57 per cent) communications to influence success compared with their male counterparts who report formality at 59 per cent for recent projects and 54 per cent for future programmes.

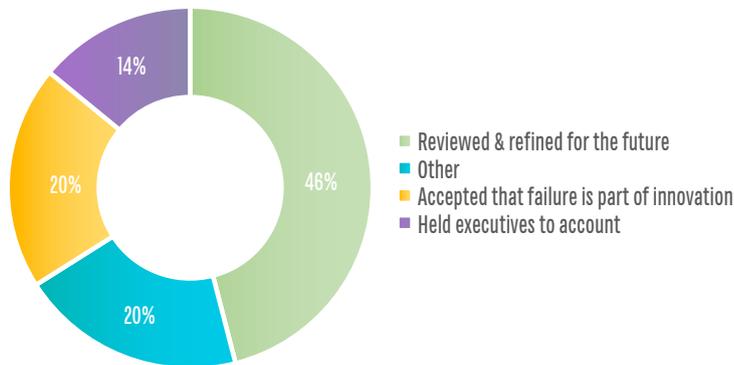
When it comes to age, formality peaks in the 50–59 age bracket (63 per cent) but change leaders aged over 60 are more likely to favour informality (57 per cent). There were no marked differences across sectors, with only Manufacturing and Financial Services being marginally less likely to use informal 'watercooler' moments.

There is a big difference between intellectualised change and real philosophical change that people believe in. This is within the control of the change leader: people fear change and leaders need to manage that emotion. Great leadership is about understanding the motivations of the individuals, or segments of the stakeholder community, and tailoring communication programmes to get maximum buy-in.

What happens when projects fail?

Hindsight is a wonderful thing and analysing the success or failure of a change programme will bring benefits regardless of outcomes.

Business reaction to change programme failure



When a recent change programme failed, how did the business react?



Almost half of our change leaders (46 per cent) **have a process of reviewing and refining performance when a project fails.**

Today, the only constant in the workplace is change. Things no longer evolve at a regular pace. Technology, processes, policies and people are all areas where change leaders will experience rapid and marked disruption. The sheer pace of change means organisations need to adapt and respond not only swiftly but also by learning and building on the outcomes of both successful and failed responses to these changes. Change leaders must strive to create an environment where there is no such thing as failure – only learning experiences.

Twenty per cent of our respondents state that they are operating in a culture where the organisation simply accepted the failure before moving on, although this may be skewed by respondents who have never experienced a failed project. Nearer half (46 per cent) have a process of reviewing and refining their performance when projects fail.

Effective change leaders will be fostering a culture of openness and engagement. They recognise that failure provides an opportunity for the organisation to improve its processes through feedback and modification. A fifth of our respondents offered the following 'Other' responses when asked about what happened with their failed projects:

One-fifth responded 'Other' to business reaction to programme failure

"Failure is swept under the carpet"

"We did not learn from the lessons"

"Lack of introspection about the failure"

"Blamed all bar themselves"

"No follow-up"

"Blamed IT"

"Just went on to the next one"

"Forgot about the project"

This clearly shows that they also belong in the 'Accepted that failure is part of innovation' category and their organisations learnt little from their efforts. If change leaders tightly define the framework that their teams are working within, then failures shouldn't damage careers or businesses as the problem will be escalated when it reaches the boundaries of the framework.

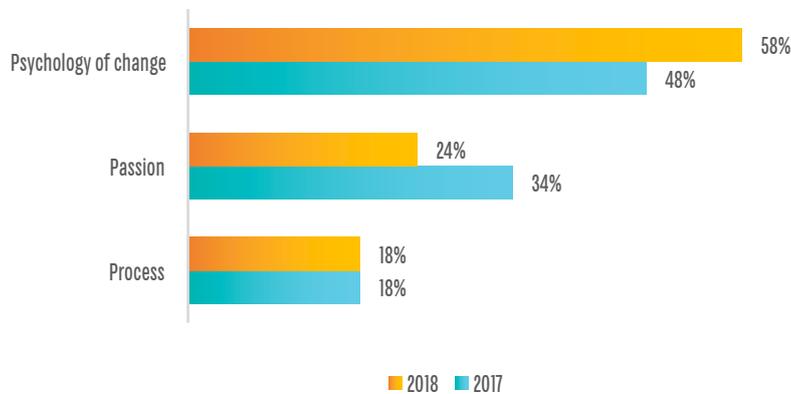


"I have not failed. I have just found ten thousand ways that won't work."

Thomas A. Edison 1847-1931

It is always beneficial to review a programme for the key insights and takeaways that your organisation can learn from. These might be positive: learning more about the customer, insights into future trends, or improvements in teamwork. They may equally be negative but nonetheless insightful: insufficient buy-in, engagement and resources, or poor scoping from the outset. Ensuring that lessons are learnt in both areas will move the organisation forward and increase its agility.

Which is the most important for successful delivery of change?



Which of the following is the most important in successful delivery of a change project?

Passion may provide the impetus for initiating change, and process the mechanics for embedding change, but our respondents consistently place 'psychology of change' as the most important factor to be embraced within their programmes (58 per cent this year). There will always be individual differences, but few people are born to love change, innovate, adapt quickly and seek new experiences. The majority are predisposed to follow a routine and follow the way it's always been done.* Humans are designed to dislike change because our brains have a limited capacity for information. They need to perform many tasks by rote, in order to be able to selectively attend to imminent threats and danger.

However, studies** have shown that fostering a positive attitude to change – embracing the 'psychology of change' – produces broader, more flexible and more agile organisations. It also stimulates feelings of hope and optimism, which are associated with greater tenacity, versatility and self-confidence, all excellent qualities to have when navigating a landscape of business disruption. When people are being asked to do new things, take on more or work in unfamiliar ways, then these are exactly the resources they need to enable them to succeed. Great change leaders will use their extensive networks to influence and socialise change to ensure maximum buy-in and success.



Embracing '**psychology of change**' is acknowledged as the most important factor in change management projects (**58 per cent this year**).

"Psychology of Change is the principle of engaging and managing the cognitive and behavioural reactions of a diverse base of stakeholders exposed to change."

*Buss, D.M (2011) *Evolutionary Psychology, The New Science of the Mind*

**Isen, A. (2001) 'An Influence of Positive Affect on Decision Making in Complex Situations', *Journal of Consumer Psychology*

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