



THE POWER OF REALIZATION

A WHITE PAPER BY

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BUILDING COMPETITIVE ADVANTAGE BY MAXIMIZING HUMAN RESOURCE INITIATIVES

Consider the predicament of this typical CEO. The competition was gaining market share, service levels were eroding and, in a business where speed is critical, everything seemed to be slowing down. Even more important, key talent seemed to be bailing out, looking for more fertile ground.

As part of his response, he felt a major cultural transformation was needed, including building a stronger leadership team.

For over a year and a half, he had invested more than \$6 million and thousands of staff hours in creating a new vision, overhauling corporate values, and working with HR to establish a competency model and a new approach to global leadership development. Yet, despite the Herculean effort, nothing had really changed. Not leader behavior. Not the corporate culture. And certainly not business results.

Unfortunately, the above story is far from unusual. All too often, executives feel they have determined the right thing to do, but then something happens after the decision is made—the intended outcome just never happens. It's becoming harder to keep up with the number of proposed new business solutions, technologies, and other strategic endeavors that are acknowledged as vital to the success of our organizations, yet seem to quickly fall apart.

Up to 70 percent of the failures, according to a recent *Fortune* article ("Why CEOs Fail," June 21, 1999), are not due to poor strategy or a lack of good ideas, but to flawed execution.

While the corporate landscape is littered with failed initiatives, failed HR initiatives are especially prevalent. Consider the following:

- > Workforce.com recently summarized the results of hundreds of studies that examined the success rates of change initiatives that

were heavily dependent upon people (reengineering, TQM, culture change, etc.). The results are sobering: most studies cited failure rates in the 80-90 percent range.

- > Of the billions of dollars spent on workforce training, recent research shows that less than 10 percent of what is taught in the classroom gets transferred to the job.
- > DDI's own research on HR practices indicates enormous room for improvement in the application of hiring, leadership development, and succession management initiatives. For example, in one study, more than 50 percent of the survey respondents rated their organization's succession management system 5 or lower on a 10-point effectiveness scale (10 = highly effective). And in another study, only 23 percent of respondents were satisfied with their company's leadership development efforts. What about the other 77 percent?



REALIZATION

FOR HR INITIATIVES, REALIZATION CAN BE DEFINED AS A SUSTAINABLE, POSITIVE CHANGE IN PEOPLE PERFORMANCE THAT DRAMATICALLY INCREASES THE ABILITY OF AN ENTERPRISE TO ACHIEVE ITS BUSINESS GOALS.

- > Let's not forget the broken promises of HR software solutions, made worse by the myopia with which too many organizations approach these solutions. For instance, when it comes to e-learning, evidence suggests that buyers evaluate vendors by the size of the libraries they offer and how much they cost—instead of on the quality of the content. “How could things get turned around?” asks Reinhardt Ziegler, global leader for Accenture’s e-learning practice, echoing the frustrations of many. “I wish someone would talk to me about the 70 performance-based experiences they offer instead of trying to sell me 7,000 titles.” If organizations aren’t concerned with the quality of learning content, how can they expect to see positive outcomes from their training programs?

Billions spent, billions wasted—and not for lack of good intent. While shortfalls such as these are not indigenous to HR systems, we in the HR profession are the ones who feel much of the pain. And we must begin to ask ourselves, “What’s wrong with this picture?”

CREATING COMPETITIVE ADVANTAGE: THE REALIZATION DIFFERENCE

What’s the cause of the breach between “intent” and “results”? The problem is this: Most organizations unwittingly apply their resources toward *installing* new solutions rather than toward *realizing* the anticipated benefits.

Installation is the process of introducing a new solution (e.g. a succession management initiative, a recruiting process, a global training program, etc.) into the organization. During installation, attention is focused primarily on the logistics—how to physically introduce the solution into the work environment and how to orient and train people in its use. Actions associated with installation would include announcing the new program or process, integrating the necessary software, allocating resources, and a host of other related activities. As important as installation is, however, it can become dysfunctional if it is treated as the end state. Business solutions that are merely “installed” may achieve physical, resource,

and training milestones, but these milestones typically do not represent the true intent of the effort.

In contrast, *realization* of the outcome is possible only when an organization goes beyond simply deploying a new process or system and steadfastly pursues the actions necessary to see the results that were originally anticipated. When installation becomes the terminal objective, only the appearance of change is accomplished; when realization is the objective, the intended change materializes and the organization benefits by having a true competitive differentiator.

One of the crucial issues facing businesses today isn’t the quantity of innovative approaches that are put into place, but rather how to implement those endeavors in such a way that they accomplish what they were intended to do. Given the strong link between human capital and business results, leaders no longer can afford to trust their organizations’ futures to important HR strategies and projects that are simply “installed.” Today, success must depend upon being able to ensure that the promised benefits are delivered.

There are several warning signs of an HR solution for which installation, not realization, is the focus. These signs are easy to spot:

- > People go through the motions of complying with the solution but disguise old habits with new rhetoric.
- > Success measures seem to focus on getting things done versus getting results.
- > The once highly visible executive sponsors seem to be somewhere in hiding.
- > Programs are deployed but little change occurs.

HR implementations characterized by the above warning signs can, at best, produce short-term, superficial modifications to the status quo. The real intent of the initiative becomes lost. And, the workforce remains skeptical of senior leaders, who then wonder why HR can never be strategic.

In summary, for the majority of HR initiatives, realization can be defined as a sustainable, positive change in people performance that dramatically increases the ability of an enterprise to achieve its business goals.



The table below summarizes the differences between installation and realization.

FEATURES	INSTALLATION IS THE END STATE	REALIZATION IS THE END STATE
“Stated” goal	Achieve desired business results	Achieve desired business results
Critical success factors	Inserting solution into the status quo	Change process guides installation
Focus of attention	Logistics, schedules, training, budgets, plans	Impact, change, and results
Indicators of success	Meeting critical milestones, usage figures, getting things done	Sustainable changes in workforce performance that can ultimately lead to improved organizational performance
Quality of outcome	Short term and of insufficient value	Long term and of substantial value
Management support	Weak or inconsistent	Strong and sustained
Cost of monitoring and enforcing use	High—leader and workforce commitment are low	Low—leader and workforce commitment are high
User motivation	Compliance: “I have to do this”	Engagement: “I want to do this because I know it’s important to the organization”
User resistance	Addressed after the fact	Preventive measures taken up front

REALIZING REALIZATION

Moving beyond installation requires a comprehensive and integrated approach combining multiple disciplines (decision making, project management, etc.), including the principles of organizational change. Leave out any piece of the puzzle, and the intended results will not come to pass. Below are five components we believe must be taken into account to achieve realization.

1. COMMUNICATION: Make and address the business case.

2. ACCOUNTABILITY: Clearly define roles and accountabilities for all key stakeholders, starting with the CEO.

3. SKILL: Develop the skills of each key player in the implementation.

4. ALIGNMENT: Align processes/systems to reinforce the desired behaviors and outcomes.

5. MEASUREMENT: Provide clear lead and lag measures on the desired outputs of the change.

1. MAKE THE BUSINESS CASE

Many HR initiatives seem to fall into the category of a solution looking for a need—a sure initial sign of potential failure. In any major initiative, there must be a crystal-clear case made for the investment.

Making the business case involves a number of elements including identification of the initiative’s business drivers (e.g. increased market share, improved leadership capability, reduction of key talent turnover), the proposed solution, investment requirements (money, time), and expected outcomes. DDI research and experience have shown that the higher the level of sponsorship, the greater the chance for realization. Once the business case has been made and approved, the sponsors must then become champions or what we like to call “articulate advocates” for the initiative.

Jack Welch of GE fame is perhaps the best example of an articulate advocate who cared about people systems. His passion for breaking down organizational boundaries and the now-famous “workout” quality improvement process were surpassed only by his passion for leadership development and succession management that characterized his later years as CEO. Jack was also successful in signing up other members of his senior team to support his endeavors.

How do senior leaders show their passion and commitment to an initiative and its desired results? They consistently advocate, cajole, recognize, reward, and encourage all key employees involved in the change effort. Welch constantly talked about the time he personally spent in the field



assessing and developing future management talent. Roger Milliken asked every employee he met during his travels through his company, “What have you done recently to improve quality?” The passion must exist and be clearly evident in what sponsors do, talk about, reinforce, and believe. Only then will the business case reach the ranks of employees and be seen as mission critical.

2. CLEARLY DEFINE ACCOUNTABILITIES & ROLES

In the end, people—not systems or software—drive realization. Thus, it becomes critical that accountabilities for the ultimate success of an initiative be clearly spelled out and assigned to the right people.

Establishing clear accountabilities and roles is more difficult than it may seem. It means defining what each senior leader or sponsor is accountable for, establishing measures of success, and creating a plan to cascade the accountabilities down to those who will be expected to make things happen.

Recently, DDI worked with a leading chemical manufacturer on a three-year leadership development initiative tied directly to a business imperative of revitalizing sales growth. A clear, top-down accountability plan was put into place to ensure the ultimate success of the project. Concrete measures were established and agreed to up front, including production efficiency and brand recognition. Accountabilities were created, not only for those involved in the implementation (project dates/budget goals) but also for the leaders who were the recipients of the training (improved team performance and retention). Finally, regular reviews of performance against assigned capabilities were hardwired into the implementation. By taking these steps, everyone involved in the initiative was able to understand what was important, what they were responsible for, and how progress would be measured.

3. GIVE KEY PLAYERS SKILLS FOR SUCCESS

HR realization often falls short because those who are accountable for execution don’t have the skills for implementation. For example, a succession management system needs mentors and coaches who are, of course, adept at mentoring and coaching.

Another good example of an HR initiative that can be derailed by lack of appropriate skills is a performance management system. Many organizations create a new form and process, but still fail to achieve their desired results. Why? Because managers and employees aren’t trained in the basics of performance management. They don’t know how to set effective objectives, gain commitment to a performance plan, track performance, provide and receive coaching, or rate and discuss performance levels. Often times, this is because they are trained in the necessary concepts and skills but are not properly coached in their application.

Yet another example is the “build it and they will use it” mantra of many e-learning initiatives. Huge capital is invested, but results fall short due to a lack of user motivation and accountability. And, ironically, even many leadership development efforts fail—not because the actual training didn’t address the needs of the targeted audience, but because the leaders’ bosses weren’t trained to coach and reinforce the application of the newly learned skills.

4. ALIGN PROCESSES AND SYSTEMS

The last verbal signal before a space launch is “all systems go.” The success of a space launch depends on everything being aligned and functioning properly. The same applies to organizational systems when a company launches a new HR initiative. For example: For many years, U.S. automakers rewarded dealers for keeping warranty costs down instead of insisting that they concentrate on properly repairing mechanical problems and making service a reasonably positive experience for customers. Just as these automakers failed to align their dealer incentives with customer service, too often organizations also fail to adjust or modify business or HR systems to support an initiative. We have seen hiring programs in which recruiters are rewarded based on their ability to reduce the time a position stays open rather than on how long the person hired stays with the organization.



Before engaging a major initiative, the processes and systems must be diagnosed for barriers that could impede or prevent an organization from realizing its expected outcomes. Processes and systems to look at aligning include:

- > **Selection/Promotion:** Does your hiring and promotion system select people who have the motivation, skills, knowledge, and experience to help achieve the desired outcomes? Selection will be important even when putting together a temporary project team to drive a major initiative.
- > **Compensation:** Is the pay system reinforcing the right or wrong employee behaviors? Nothing will stop an implementation faster than paying people for results you don't want.
- > **Recognition:** People will repeat behaviors when they are recognized and rewarded for them. If we recognize people who provide stellar customer service, we'll get more people trying to please customers. If we recognize great team efforts, we'll get more great team efforts. Recognition efforts can dramatically help implementations if they recognize specific behaviors that support the success of the initiatives.
- > **Information/Technology:** Does the organization have the right system in place to provide and share the information needed to support a new HR process? As an example, new learner management systems can provide both learners and the organization with key information on course completions, skill and knowledge acquisition, on-going learning gaps, etc.

5. ESTABLISH CLEAR MEASURES

The adage “you can't manage what you don't measure” is at the heart of realization. Clear measures help us answer the all-important questions of “Why are we doing this in the first place?” and “Have we been successful?” The majority of HR initiatives lack these measures altogether, or focus only on measures of installation success, such as number of learners trained and user satisfaction. We often hear that measuring the success of an HR initiative is impossible. While we agree that measurement can prove challenging, many

companies are making great strides in this area and are deploying meaningful and accurate measures for their HR initiatives.

In establishing measures, it often is important to consider both lead and lag indicators.

Succession management is an example. Few organizations measure promotions from within—a lag measure that would indicate an organization might be doing something right or wrong in its succession management process. But even fewer organizations, if any, measure real development occurring in the succession management system—a lead measure that would indicate progress.

In the case of retention, organizations traditionally rely on turnover statistics (lag measures) as a singular indicator. Research has shown, though, that the main reasons (lead measures) employees leave an organization include, in this order:

1) relationship with supervisor, 2) dissatisfaction with development opportunities, and 3) the degree to which they feel their work is adding value to the business. Effective measurement of these factors is critical in any retention strategy.

THE BOTTOM LINE

A key challenge facing organizations and their leadership today is how to deliver on the commitments they make when announcing critical changes, and HR initiatives are particularly vulnerable to being placed in the “we tried this, but it didn't work” junkyard. “Installation” of the intended change is seldom in jeopardy; it is the “realization” of the promise to shareholders and stakeholders that is typically at risk. Fulfillment of these promises is possible only if leaders are careful to limit their initiatives to those they are serious about implementing. For each of these imperatives, it is critical that the factors for successful realization detailed above become an integral part of the ultimate solution. The payoff is not just the difference between successful and unsuccessful outcomes. For HR, over the long haul, it is the difference between a skeptical and unmotivated workforce and one that represents a true competitive advantage.



ORGANIZATIONAL TRAPS THAT INHIBIT REALIZATION

Given both higher expectations for our organizations' HR initiatives and more scrutiny for how resources are allocated, the overwhelming majority of us would pick a realization pathway. But why are HR initiatives especially vulnerable in their ability to achieve realization? There are a number of traps we fall into that get in the way of achieving our intended impact.

TRAP #1: Organizations confuse "containers" of change with improvements in performance.

Containers of change are the tactical tools provided by an outside partner or developed internally. (Examples include training modules or a piece of recruiting software.) While these "containers" often are critical agents of realization, their use alone rarely achieves the intended results.

TRAP #2: The human landscape isn't ready for the changes required for success. This trap is especially ironic. One might forgive that people issues are not carefully planned for in a merger or in the installation of a new CRM system; however, it's another matter altogether when we fail to consider people and cultural issues when the solution

itself is driven by HR. For example, we have seen companies implement new e-recruiting systems without training hiring managers on how to use the system, and the data it outputs, to make better selection decisions.

TRAP #3: There's no strong executive-level sponsorship.

To achieve its intended objectives, an HR initiative must have the backing of one or more senior leaders who can act as sponsors or champions for the initiative. These champions must have accountability, credibility, and the clout necessary to allocate resources. Without leaders who can show that the initiative is viewed as a priority at the top of the org chart, initiatives will lack the buy-in needed—at all organizational levels—to ensure success.

TRAP #4: Key players choose comfortable falsehoods over troublesome truths. To bring about real change, long-standing beliefs, assumptions, and/or behavioral patterns often must be confronted. By its very nature, change is unsettling and disconcerting. Even when change is perceived as a positive

(strengthening management competencies, reducing turnover, etc.), the actions required to achieve the desired outcomes often are painfully difficult, if not distasteful. As a result, it's common for people to engage a new initiative but then unconsciously, or even intentionally, try to dodge the unpleasant parts. They do this by choosing (inadvertently or deliberately) comfortable falsehoods over troublesome truths to guide their actions. This means that leaders convince themselves and others of a viewpoint that reflects what they want to be true and then operate as if these illusions are reality.

Examples of comfortable falsehoods: "Sure we can do this in three months" (when, in fact, it has never been done in less than a year). "We can reduce costs by 50 percent and still get the same results" (yet, cutting the costs will eliminate essential project resources). The fact is that turning your workforce into a competitive advantage is never as easy or inexpensive as we would like. It takes clarity of vision, commitment, and an organizational willingness to recognize and honestly confront the obstacles that stand in the way of success.

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