

Volume 2, Issue 14 – July 24, 2018

Technological Disruption and Managing Change

Change is not fluffy and soft; it's engineering

Twenty years ago, seismic shifts in technology changed the business landscape almost overnight. The rapid spread of digital technology and the internet created new business models and a new way of operating. For established companies, the change brought as many questions as opportunities. How do you equip mainframe programmers with the skills to manage the new technologies? How do you maintain your current operations while simultaneously building a business that will thrive in the future? And how do you manage your people so they identify with and support the changes you are trying to bring about?

With technological disruption transforming industries again, it is clear that many of the lessons from that first digital era remain relevant today.

20 years ago, success required a lot more than putting a new operating model and system in place; employees also had to buy into it. "They had to understand *why* this change was happening, to understand how it benefitted them and to have the opportunity to learn the new skills they needed to be part of the future business," says [Marc Detampel](#), Managing Director with Alvarez & Marsal (A&M) in Chicago.

Technology created completely new businesses and obliterated entire industries – think of the impact inbuilt mobile phone cameras had on traditional SLR snappers. Today, however, technology is as much a personal tool as a business one, with mass communication tools such as Whatsapp and Twitter fundamentally changing the way stakeholders receive and share information about their colleagues, their workplace and their leaders.

This in turn has demanded that leaders rethink the way they engage with others. In the past, leaders relied on command and control to force organizational change. The ethos was "give them only what they need, when we decide they need it," [Clayton Gammill](#), Managing Director with A&M in Dallas warns. "Today's workforce thrives on information: they want transparency, truth and understanding, and if you won't give it to them, they will find it or fill the void with speculation."

This makes changing an organization more complex. "The first step is to understand that change is not fluffy and soft - it is engineering. It requires a purposeful, process-driven program to make it happen," says Gammill. Spirits-maker Diageo, for example, [has used zero-based budgeting](#), the practice of planning a department's budget from scratch rather than based on the previous year's budget, to successfully cut costs and increased its target for savings to £700 million (\$920 million USD) from £500 million. Rolls-Royce, the aero-engine maker, aims to generate £1 billion in free cash flow by 2020 as a central part of its transformation program, which A&M is advising on.

"Organizations must also deliver quantifiable results: boards, shareholders, equity partners and activist investors require demonstrable returns on investment (ROI)," says Mr. Detampel. The good news is that companies which approach change systematically achieve six times the ROI of those that do not, according to the [2017 Prosci survey](#) of more than 1,700 organizations.

To achieve the highest returns, delivering change requires more than two-way communication and training. Throughout the nearly 20 years of Prosci's survey, one factor has stood out year after year: active and visible executive sponsorship. Sponsorship is the greatest contributor to transformational success. It is not something that can be delegated. If the transformation is not a visible priority for leaders, it will not be a priority for the people below them. Stakeholders must identify with the transformational goals and build coalitions with line managers and other stakeholders to lessen resistance to change. The organizations that do this best have a dedicated change management team to ensure leaders have the support to drive change.



CORPORATE TRANSFORMATION SERVICES

FROM THE INSIDE OUT

To engineer change successfully, leaders must be focused and purposeful. They must also tackle the same issues that applied at the start of the digital revolution twenty years ago: how do we continue to operate while moving towards a completely new model, and how do we make sure our people are on board?

Disruptive change is inevitable. It happens by design or because of changes in the market. Having a plan to drive that transformation is not a luxury - it is a requirement.

Stay informed about the key issues driving companies to seek meaningful, lasting change in [From the Inside Out](#), our corporate transformation newsletter.

GOT A QUESTION? CONTACT AN INFLUENCER ANSWERS ARE ONE CLICK AWAY



JOE BERARDINO
jberardino@alvarezandmarsal.com



MALCOLM MCKENZIE
mmckenzie@alvarezandmarsal.com



CLAYTON GAMMILL
cgammill@alvarezandmarsal.com



MARC DETAMPEL
mdetampel@alvarezandmarsal.com

For general inquiries, please email us at corptransformationnewsletter@alvarezandmarsal.com

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to make change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

With over 3,000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

When action matters, find us at: www.alvarezandmarsal.com

