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Changing for the better

Financial services organizations are spending billions of pounds every year on change initiatives, but many are unsatisfied with their results. Having recently benchmarked some 30 major financial services organizations across Europe and Asia Pacific, **Adrian Harkin**, **Martin Blake** and **Mark Smith** discuss how focusing on leadership and accountability for change could be the key to getting real value.

Typically, financial services companies run anywhere from 5 – 50 concurrent major change programs in the course of a year: to embed new regulation, refresh IT platforms, integrate acquisitions, build new capability, enter new markets or restructure businesses. Following the credit crunch and global financial meltdown, change capability is needed more than ever. Change functions are now under even heavier pressure to correctly address the challenges of managing change. Challenges at their doorstep include adapting to new bank ownership structures, compliance with an anticipated deluge of tighter regulation and action on cost and capital effectiveness to inject liquidity back into the balance sheet.

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Failure is not an option. But many financial services organizations feel they are not getting the best value from their investment in change. Some point to initiatives which fail to produce expected levels of profit; others experience high levels of program failure. Only about a quarter to a third of change programs are regarded as strong successes.

Change failures – the 'elephant in the room'?

Talking candidly to the teams involved in executing major change programs, we have found that disappointing performance is often acknowledged privately, but not addressed openly. Ninety percent of the organization may know something is wrong, but they don't tell the people in charge – or even worse, they speak up but are not heard. Poor performance of change can also be a result of focusing the program to move too fast, or if it is managed by individuals who don't fully understand the change management process. With spending on change in UK financial services organizations alone ranging from £5 billion – £7 billion annually, disappointing performance is silently draining billions of pounds from businesses at the most stressful time in the industry's recent history. So what can be done?

Getting leadership right is key to success

From our benchmarking, we have identified a direct link between the value financial institutions gain from their spending on change and three key factors:

- 1 Treating leadership of change as a core organizational competence
- 2 Focusing on transparency and accountability
- 3 Driving capability deep into change functions

Leadership is identified as the first key to the successful implementation of change. Time and again, we see organizations struggling to optimize massive spending programs and failing, because there is no clear overall leader to drive and control the impact of change on the whole organization, to set priorities and allocate spending in a strategically balanced way. Responsibility is spread across divisions, accountability dissipates and conflicting priorities are never resolved. The result: poorly managed change that eats away productivity and wastes time and effort.

So let's be clear: the change function needs a single leader who 'owns' major change. This leader ensures the change portfolios align to the strategic priorities; ensure scarce capital is allocated to the correct programs; moves people between programs as necessary to get results; and is accountable to the board for change results.

The second key is a strong focus on transparency and accountability. Transparency means clear governance, reporting, information and communication, to ensure the whole organization understands what is happening and what results are required. Accountability means exceptional clarity on who is responsible for each part within a complex change program. Our benchmarking confirmed a basic human fact – people avoid accountability if they can. Nobody likes to be too pinned down. Leaders who emphasize clear negotiations on accountability and insist on transparency of information are more successful than those who do not.

The third key is investing in capability. Capability means paying not just for systems and tools, but for good people and good quality learning as well. It is people – not organizations – that make change programs succeed or fail. Change is not a mechanical process which simply requires application of the

Key areas of focus

Leadership Driving change strategy delivery, organizational behavior and change culture

Transparency and Accountability Portfolio management, change governance, cost management and delivery of benefits

Capability People/skills/capability, tools/method/process

Source: KPMG International, May 2009.

latest tools and methodologies to succeed. But often organizations devote most of their money and time to technology and processes, and neglect or under-plan aspects like behavioral and cultural change. A significant investment in capability is required to enlist the support of the organization and guide it along the change journey. These 'soft' people issues can be the hardest to get right.

The pace of change will continue to increase in the current climate, and so will the investment required. With clear leadership, a focus on accountability and transparency, and strengthened human capabilities, we should see more businesses achieving greater value from their investment in change.

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