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—Martin Davis, CEO, Kames Capital



**THE
CHANGE
CATALYST**

SECRETS TO SUCCESSFUL AND
SUSTAINABLE BUSINESS CHANGE

**CAMPBELL
MACPHERSON**

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'The Change Catalyst is essential reading for CEOs and leaders of change. A how-to guide for accomplishing one of the most critical assignments in business – the successful instigation of sustainable change. Campbell not only explains what we should be doing, but more importantly, why and how.'

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'The Change Catalyst is the most accessible, entertaining and insightful book on the subject I have read in many a year. Campbell possesses the rare ability to simplify complex subjects, and with his own inimitable style and humour, he gives the reader the confidence and insight they will need to achieve what most fail to deliver – successful and sustainable change.'

—David Pitman, Global Finance Partner, Boston Consulting Group

'If you want your next change or strategy to be the 1 in 8 that succeeds; buy this book.'

—Alastair Conway, CEO James Hay Partnership

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'I am personally convinced that one person can be a change catalyst, a "transformer" in any situation, any organization. Such an individual is yeast that can leaven an entire loaf. It requires vision, initiative, patience, respect, persistence, courage and faith to be a transforming leader.'

Stephen Covey (1932–2012)

American educator, businessman,
keynote speaker and
author of one of the most successful
business books of all time;
The 7 Habits of Highly Effective People.

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Thank you.

Campbell

ABOUT THE AUTHOR



Campbell Macpherson has been enabling organisations to instigate successful and sustainable change for more than 25 years across the UK, Europe, US, Australia, Asia and the Middle East – as an adviser, consultant, executive, Board member and in-house change leader.

Campbell believes passionately in the power of clarity and aligning people to deliver, as your people are the only ones who can deliver your strategy. What drives him is a burning desire to make a positive difference to the way that organisations work, and the impact they have on their customers, employees and shareholders.

The organisations he has worked with to date include one of the world's largest Sovereign Wealth Funds, International Financial Data Systems, Aviva, Friends Life, James Hay, Cofunds, iPipeline, Centaur Media, GoCompare, International Personal Finance, BP, Zurich, Capital Radio, Telewest, Misys, BBC, Lazard, British Airways, National Mutual and the Singapore Convention Centre.

He was a Senior Adviser to one of the largest Sovereign Funds in the Middle East.

He was Strategy Director of Zurich Global Life Emerging Markets, covering Asia, the Middle East, LatAm and Central and Eastern Europe.

ABOUT THE AUTHOR

He was the award-winning HR Director of Sesame, the UK's largest IFA Network, having been drafted in by its parent company, Misys, to forge one company out of the five they had acquired.

He was a founder executive and Marketing Director of Virgin Wines.

He was eBusiness Director of the AMP Group covering Pearl, Virgin Direct, Henderson, Cogent and NPI. He founded a multimedia business in the 1990s and was a Senior Manager in the Change Management division of Andersen Consulting. He also flew jets (poorly) in the RAAF.

He is a strategic change adviser for many dozens of organisations via his consultancy Change & Strategy International Ltd (www.changeandstrategy.com). He has a Physics degree from Melbourne University.

Campbell lives in Oxfordshire, UK, and is married with two adult children. He divides his time between the UK, Australia and wherever his clients need him to be.

www.campbellmacpherson.co.uk

INTRODUCTION

88% of change initiatives fail.

According to a 2016 Bain & Company survey of 250 large companies,¹ only 12% of change projects achieve or exceed their projected outcomes. A further 38% produce less than half of their expected results. The final 50% 'settle for a significant dilution of results'. In other words, seven out of eight change initiatives fail.

A similar proportion of mergers and acquisitions fail. A comparable proportion of corporate strategies fail. A similar number of large IT projects fail.

While there may be some debate about the percentages, Bain isn't the only consultancy to arrive at a similar conclusion. A 2008 McKinseys survey estimated that two-thirds of change projects fail. John Kotter, in his seminal book, *Leading Change* (1996), estimated the number to be around 70%.

Several studies by several consultancies over several decades have all deduced that change is so difficult to achieve, and so fraught with obstacles, that organisations usually end up abandoning change programmes altogether or settling for significantly watered-down outcomes; wasting vast sums of money doing the former and foregoing opportunities for increased revenue, profit and shareholder value doing the latter.

Only one in eight change initiatives deliver the results they set out to achieve. Why?

There are many reasons and they are all intertwined. But from my many decades of experience assisting organisations large and small to instigate change, I have come to the conclusion that the reasons why change projects, programmes or initiatives fail can be grouped into ten key categories. This top ten is detailed in Part One of the book.

The key reason that infuses every other is the fact we humans don't like change. When it comes to change, especially in the workplace, we have an innate desire to cling on to the status quo. We find change extraordinarily difficult, even when it is good change. We fear that the new world may not be any better than today. We fear that accepting change will be tantamount to being blamed for the way we currently work. We fear that we may try and fail.

Therefore, we need help; we need someone to help take the fear away. To be encouraged to change, we need both the 'carrot' of a better tomorrow and the 'stick' of negative consequences if we stay with the status quo. Sometimes we require a 'burning platform'² to force us to take the leap into a new world; other times the motivation needs to be far more subtle, but it must be just as compelling.

However, rational motivation alone is not sufficient; we humans need to be motivated *emotionally* if we are to embrace any sort of change. Our pride, our ego, our sense of self-worth, our heart, our gut; these are the areas that need to be motivated if we are to proceed successfully down a new path. When it comes to engaging people in change, logic alone is simply not enough... and rarely do change programmes expend anywhere near enough time or energy providing a positive emotional reason to embrace the new world or addressing the emotional barriers to change.

You need look no further than the disastrous campaign to Remain in the EU by the then Prime Minister, David Cameron, and Chancellor, George Osborne, during last year's UK referendum. These two highly

intelligent men and their teams of advisers completely ignored the fact that it is our emotions that drive our decision-making. They tried to convince people to vote 'Remain' through a mixture of logic, statistics and fear. They also completely lacked empathy, failing to understand that, for a large proportion of Britons, the 'platform' was already ablaze – too many voters felt they had nothing to lose by voting to leave the EU. These voters had been left behind by globalisation and the free movement of people across the EU and had spent eight long years reaching into their own pockets to pay for the failure of the global banking system in 2008. They needed a positive emotional reason to vote for the status quo – and none was forthcoming. Another school-boy error from the Remain camp was complacency (a common cancer that scuppers many change initiatives, as we discuss later in the book). Cameron and Co. didn't seriously consider that the UK voters would actually vote to leave – either because they honestly didn't understand what life was like for a large proportion of their constituents or they simply assumed that 'fear of the unknown' would win the day. Either way, their complacency was palpable.

In direct contrast, the 'Leave' camp, spearheaded by the opportunistic Boris Johnson, appealed directly to the emotions of many millions of voters with a brilliant slogan ('Vote Leave, Take Control'), a catchy 'Brexit' name and, most important of all, the promise of a better tomorrow outside the EU. It worked. The UK voted to leave the European Union by 52% to 48%.³ A key reason for the win is that the Leave campaign spoke directly to voters' emotions. They acknowledged that people were already unhappy with the status quo and fearful for their future livelihoods and the future of their communities if things kept heading in the current direction. The Leave campaign also spoke directly to a significant proportion of the population's latent fear of foreigners but, more powerfully, it spoke to people's pride in their country. Boris Johnson and Co. gave the electorate the belief that Britain could stand on its own; they appealed to the nationalistic emotion that, to borrow Donald Trump's superficial but nevertheless catchy slogan, Britain could be 'Great' again.

Donald Trump made none of Cameron's mistakes. He may have made plenty of others during his divisive and yet ultimately successful election campaign, but unlike Cameron he did not suffer from complacency, he was long on emotion and he knew that a significant proportion of the population was crying out for change – any change. Trump voters could be divided into three camps: 'The Tribals' who always vote Republican and didn't have to waste one moment thinking about it. Every political party has them. 'The ABHs' (Anyone But Hillary) who loathe and distrust anything Clinton. This is a surprisingly populous group. The third group was 'The Victims'; the victims of globalisation. Like their British counterparts, these Americans have been left behind by globalisation and felt that they literally had nothing to lose. They had been continually ignored for decades by political elites of all persuasions and were ready to vote for almost anyone that they hoped could help them – as long as their surname wasn't Clinton or Bush. Hence an outsider, anti-politician has become the 45th President of the United States.

The intensity of this desire for change – any change – was so strong that the fact that Trump was not one of the political establishment outweighed all of his negatives. The fact he was a billionaire that manufactured his products in cheap-labour countries overseas rather than American factories didn't matter. The fact his Atlantic City gambling business filed for bankruptcy twice, with \$1.8bn in debt⁴ the first time and \$500m the second time around was of no consequence. His refusal to publish his tax return was dismissed as irrelevant. The fact he showed himself to be a vengeful bully was seen as him being tough. His misogyny was ignored. His pledge to build a wall across the Mexican border and to stop Muslims coming into the country wasn't seen as racist and islamophobic; it was seen as protecting American lives and American jobs. Denying the science of climate change was not seen as pro-ignorance and profoundly dangerous for future generations of humans and countless other species of life on this planet; it was seen as anti-elitist and pro-industry.

The desire for change was that strong. And only Donald Trump and Bernie Sanders recognised it.

But back to the world of business... a 2004 study of some 50 000 employees by the US-based Corporate Executive Council showed that, when it comes to engaging employees, emotional commitment is four times more powerful than rational commitment. Four times. To convince people to change we have to appeal to their emotions.

In business, as in life, there is a 'right' reason and a 'real' reason for just about everything. This is especially pertinent when it comes to change. The 'right' reason for the change will be the one that is widely communicated. But lurking in the shadows will almost always be a 'real' reason that is not made public. When it comes to finding your people's emotional triggers, you will need to unearth the 'real' reasons behind their resistance and the 'real' things that will genuinely motivate them. This book has been designed to help you do precisely that.

The book starts with Part Zero: a discussion of the inevitability of change – highlighting some of the incredible changes we have already managed to cope with and previewing just a little of the tsunami of change that will soon be crashing down upon us.

The rest of the book is then divided into four parts.

Part One explores why 88% of change initiatives fail. If we are to have any chance of improving these odds, we must fully understand why seven out of eight change initiatives do not deliver. Another reason for starting with what could be considered to be a negative viewpoint is that we learn far more from our failures than we do from our successes.

Part Two switches into proactive mode and answers the key question on every Change Leader's lips: *'How can I ensure that my change initiative is the one in eight that succeeds?'*

The short answer to this question is: appoint a Change Catalyst – someone who is obsessed with the delivery of the outcomes the company requires, in a manner that is in tune with your corporate culture.

A Change Catalyst is different from a Project Manager. In fact, the roles are complementary. A Change Catalyst's strength lies in his/her focus on outcomes. A Project Manager's strength lies in his/her focus on process. You need both. The Change Catalyst is the yin to the Project Manager's yang. A Change Catalyst is a business person – senior enough to command the respect, confidence and total support of the leadership. A good Change Catalyst is completely aligned with the interests of the shareholders.

My advice is: find this person, trust this person and, most importantly of all, give them all the 'air cover' they need to deliver.

Your Change Catalyst will be your secret weapon to deliver any change initiative, big or small. He or she will be the special ingredient to enable your organisation not only to set a powerful strategy but also to execute it; to transform that key area of your business that is vital to your future success; to help your people embrace change, own it and deliver it.

The life of a Change Catalyst can be a rollercoaster of a ride, with ups preceding downs and wins preceding losses at a frightening pace. But it is certainly never dull. It requires passion, enthusiasm, self-motivation and an optimistic, 'can do' attitude. Emotional intelligence and empathy are mandatory, as the Change Catalyst will need to help people embrace new ways of doing things and this cannot be done without a good understanding of how and why they currently work – and what genuinely motivates them. But the most important trait in any Change Catalyst is a burning desire to make a difference; to improve the way the organisation works; to give the organisation and the people within it a better future.

Your Change Catalyst will ensure that the other nine ingredients for successful change are also present – complete clarity regarding what we are trying to achieve and why; a detailed understanding of the implications of the change; a laser-like focus on the outcomes; a change process that includes a 'pause for reflection'; clear governance and thorough

planning; genuine engagement and communications; finding the emotional triggers; a strong, committed, aligned and unwavering leadership team; and the development of a change-ready culture. Part Two dedicates a chapter to each one.

Part Three of the book discusses the thorny issue of culture change, which I liken to ‘teaching people to walk in the rain’.

In this section, we also explore the relatively new concept of ‘Cultural Intelligence’, the challenges of instigating change in a different culture, and the importance of starting any cultural transformation by understanding the way your organisation currently works – and why and how the culture has evolved.

Part Four is where we get down to the business of planning and implementing sustainable change.

Every successful change starts with strategy, which is why the first three chapters of Part Four are dedicated to setting a Vision, Mission and/or Purpose, understanding values and exploring what a good strategy looks like. We also discuss strategy execution, as even the most expensive and innovative strategy is a complete waste of time unless it can be executed. And the execution of your strategy will depend upon your greatest asset – your people. So we also explore how to design an organisation capable of delivering (and how Organisation Design is so much more than structure), how to overcome corporate complacency, what good leadership looks like, building extraordinary leadership teams and managing and developing your people. Change is personal.

Then we explore some pertinent case studies of three real-life Change Catalysts, an example of successful change and an example of spectacular failure, quite literally on a global scale. We round the section off with The Change Toolbox, which contains the main tools, models and methodologies that I have found most useful over the years. I hope you will, too.

We end our exploration with a concise summary of the entire book.

Many dozens of anecdotes and examples from organisations around the world are sprinkled liberally throughout the following pages; stories of outrageous success, of soul-searching failure and innumerable shades of grey in between. Some of the company names have been anonymised for reasons of confidentiality, but every single case study and anecdote contained in these pages, however difficult to believe a few of them may be, is wonderfully genuine.

Change is inevitable. Successful change isn't.

With the approaches outlined in this book and the appointment of a Change Catalyst, you will be able to help your people embrace the future and ensure that your next strategy, M&A or change initiative will be among the one in eight that enjoys outrageous success.

Campbell Macpherson

Notes

1. 'The What, Who and How of Delivering Results,' published February 2016.
2. A phrase coined by change consultant and author, Daryl Connor, in 1998 as he watched a news report about people jumping from a burning oil rig in the North Sea.
3. It is interesting to note that 28% of registered voters failed to vote in the UK referendum. 17.4m voted to leave, 16.1m voted to Remain and 12.9m registered voters failed to vote. The UK is now in the process of exiting the EU because of the wishes of just 38% of registered voters.
4. 'The Truth About the Rise and Fall of Donald Trump's Atlantic City Empire,' Dan McQuade, 16 August, 2015. <http://www.phillymag.com/news/2015/08/16/donald-trump-atlantic-city-empire/>

Part Zero

Change is Inevitable

'Change is inevitable; change is constant.'

Benjamin Disraeli¹

Disraeli's statement is correct, but incomplete. Yes, change is inevitable. It is a fact of life that individuals, organisations and nations alike have no choice but to deal with. Those who are able to acknowledge this fact and cope with change will survive. Those who are able to seek out change and actively embrace it will thrive. And yes, change is constant in the sense that it is always present. But to complete Disraeli's statement we need to add one further critical observation – the pace of change is accelerating.

The myriad of changes our societies have undergone in the last 100 years is quite staggering. The breadth of changes that we have embraced over the last 50 years is even more impressive. The amount of change we have all adapted to in the last 20 years is quite incredible. The changes we will all have to face in the next 20 years may just blow our minds.

As individuals and as leaders, we will need to be ready.

Live long . . . and prosper?

Due to advances in clean water, nutrition, antibiotics and disease eradication during the last century, average worldwide life expectancy has sky-rocketed. Up until the 20th century, worldwide average human life expectancy had been remarkably consistent throughout the millennia of our species' existence. As recently as 1900, humans lived, on average, a mere 31 years, according to the World Health Organisation. Today, the worldwide average life expectancy is 71.4 – and this ranges from 83 in Hong Kong, Japan, Singapore, Italy and Switzerland to 49–50 in Sierra Leone, Lesotho, the Central African Republic, Swaziland and the Ivory Coast. Average life expectancy is now above 80 in the vast majority of Western countries (the US trails its peers slightly at 78.9).² The proportion of Americans who reach the age of 65 has tripled since 1900, from 30% to 90%.³ Five per cent of British males now live to 96 (98 for females).⁴

But it pays to be rich. In 2016, *The New Yorker* reported that the richest 1% of American men live 15 years longer, on average, than the poorest 1% – and that the gap appears to be growing. The Brookings Institute reported that the life expectancy gap between rich and poor for people born in 1920 was just five years. For people born just 20 years later in 1940, the gap had grown to 12 years.⁵ For those born in 1960 and later . . . ? The gap is surely only widening further; after all, it is well known that poor people have poorer diets, and future advances in medical science will almost inevitably favour the wealthy.

Our expanding life expectancies are already playing havoc with pension companies, many of which are now severely under-funded and desperately searching for higher and higher investment returns – not easy to come by in the low-interest-rate, low-growth world in which we currently find ourselves. I know of one pension company that has been increasing investment in life insurance companies as a hedge of sorts – with the dubious assumption that life insurers will be more profitable as people live longer.