Transformation leadership: Navigating turning points

Putting humans at the centre can improve your odds of transformation success by more than two and a half times.

Foreword

In 2021, the University of Oxford's Saïd Business School and EY (EYGS LLP) formed a research collaboration to study where organisations transformation programmes go wrong, what organisations can do to get them right, and how they can unlock greater value from their investments in this activity.

In our initial research, which we published in 2022, we learned that the human emotions of people working at the centre of a transformation play a pivotal role in its success or failure.

We identified six conditions of human behaviour that can lead organisations to better transformation performance. Organisations that follow this new route through transformation, and excel in addressing these six conditions, can increase their likelihood of success by 2.6 times.

However, C-suite executives and board members with whom we spoke about these initial research findings consistently raised questions. What do I do when things go wrong? How can I detect earlier when things may be going off track? Is there a way to use these pivotal moments to my advantage?

Finding answers to these questions has formed the basis of our current research. What we have learned is that there is a moment in almost every transformation (in 96% of cases) when the programme goes off course and leaders intervene. We refer to these moments as 'turning points'. How leaders plan for them and respond to them can make or break the entire transformation.

Using a combination of predictive modelling and in-depth case studies, we have identified a dynamic process that, when followed, can increase the likelihood that a turning point will improve transformation performance by 12 times – from 6% to 72%.

Leaders who embrace the opportunity to learn from the issues, listen for the signals that something is amiss and address the challenges as they arise using the six conditions we identified in our initial research, will be more likely to navigate the turning point successfully and deliver greater impact from their transformation programme.

Are you ready to continue the journey?

Professor Soumitra Dutta
Dean of Saïd Business School
University of Oxford

Errol Gardner
EY Global Vice Chair,
Consulting

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Executive summary

In the present age of volatility, an organisation's performance depends on its ability to transform at pace. Fast-moving mega trends such as digital adoption, geopolitical instability and climate change mean there is constant need for adaption. The pressure on leaders and their teams to adapt has never been greater.
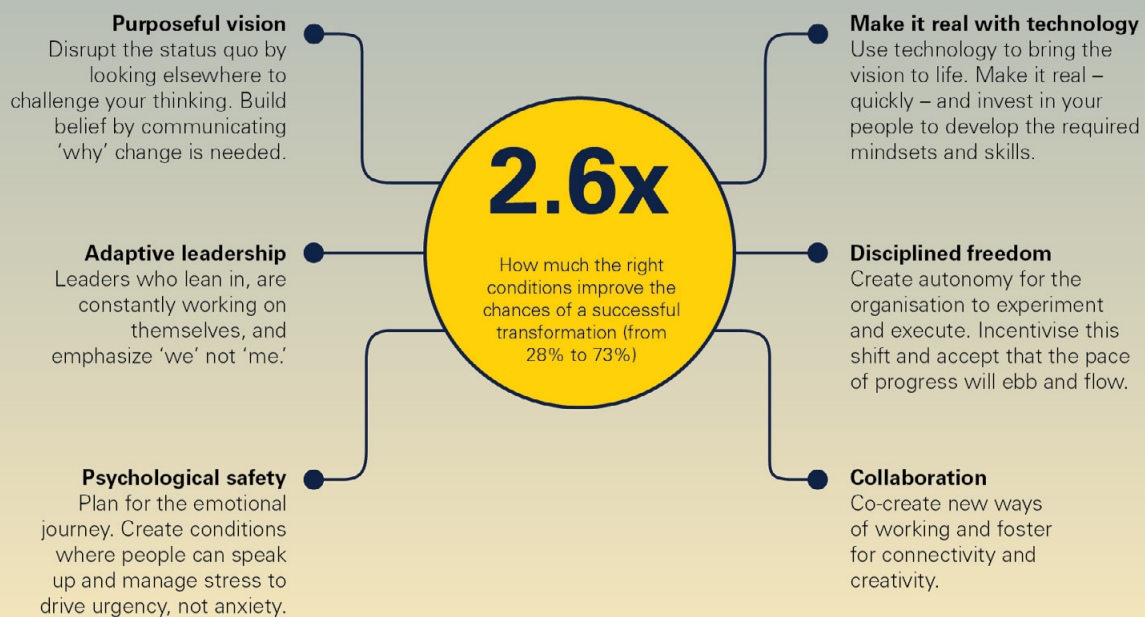
Yet nearly three decades on from John Kotter's seminal research, which concluded that 70% of organisational transformations are unsuccessful,[1] this is still the most common outcome. In 2021, the University of Oxford's Saïd Business School and EY formed a research collaboration to understand why transformations fail, and to identify common patterns and challenges.

Initial research findings

Our initial research paper, **The future of transformation is human**, published in 2022, confirmed that not much progress has been made to improve the success of transformation outcomes: 67% of senior leaders had experienced at least one underperforming transformation in the previous five years. When we delved into why, we learned that the human emotions and behaviours of the people working at the centre of the transformation play a pivotal role in its success or failure. The key to success in transformation is your people.

Before we summarise our latest findings in this second phase of research, it is useful to recap the main learnings from our 2022 report. We identified six conditions that increase the likelihood of a successful transformation 2.6-fold – from a 28% chance of success to a 73% chance.

Figure 1 – Six conditions of human behaviour

Purposeful vision
Disrupt the status quo by looking elsewhere to challenge your thinking. Build belief by communicating 'why' change is needed.

Adaptive leadership
Leaders who lean in, are constantly working on themselves, and emphasize 'we' not 'me.'

Psychological safety
Plan for the emotional journey. Create conditions where people can speak up and manage stress to drive urgency, not anxiety.

2.6x
How much the right conditions improve the chances of a successful transformation (from 28% to 73%)

Make it real with technology
Use technology to bring the vision to life. Make it real – quickly – and invest in your people to develop the required mindsets and skills.

Disciplined freedom
Create autonomy for the organisation to experiment and execute. Incentivise this shift and accept that the pace of progress will ebb and flow.

Collaboration
Co-create new ways of working and foster for connectivity and creativity.

All these conditions contribute to creating an environment where people thrive: an environment where they can do the work needed to deliver the transformation; an environment of experimentation and learning. This is at the heart of a successful transformation.

Of course, organisations must also be good at the programmatic elements of a transformation such as designing technology systems, running effective project management offices and governing the programme. However, our research over the past three years shows that the differentiating factor is people.

When leaders create an environment that prompts shifts in behaviours and enables new ways of working that deliver greater value, transformation programmes are more successful. The key to these shifts is a leader's ability to read, understand and rally people's emotions and behaviours.

Key findings from the latest research

When we speak about these research findings with C-suite executives and board members, many of whom have recently experienced transformation initiatives, several questions emerge repeatedly. What do I do when things go wrong? How can I detect earlier when things may be going off track? Is there a way to use these pivotal moments to my advantage?

This white paper seeks to answer these questions.

96%
of transformation programmes will experience challenges that necessitate a turning point.

Transformations that successfully navigate turning points are **1.9** times more likely to overperform on their KPIs.

Putting humans at the centre can increase the chances of significantly improving transformation performance by **12** times.

Turning points are moments in the transformation process where a transformation has or will go off-course and leaders choose to intervene (or not). To successfully navigate a turning point, leaders must first detect the risk that something could go wrong, or identify the issue when something has gone wrong by listening for signals that serve as the early warning system. Based on the signals, leaders must then decide whether to intervene.

For example, one of the companies we interviewed, Applied Materials, was undertaking a robotic process automation (RPA) transformation. As we describe later in this paper, Applied Materials had brought in one of the world's leading suppliers of RPA to lead the transformation. However, early on the transformation leader noticed an issue surfacing. He sat in on the early workshops with his team and the supplier. He listened to the interactions and assessed how the RPA service provider answered the in-house team's questions. He listened not only to what was said, but what was left unsaid – the silence in the room. 'The only way I was able to ascertain whether [it was] a signal versus just noise, was by being in the room,' He acknowledged. In making sense of what he was hearing, He recognised this moment as a turning point. The primary RPA supplier didn't have the necessary finance knowledge and they'd lost the confidence and trust of the team. He decided to intervene and engaged a second external provider with finance experience.

Three surprising research findings provide deeper insights into how leaders can deliver transformation success.

Understanding turning points and why they matter (Chapter 1)

Our research shows that 96% of transformation programmes will experience issues that create a turning point. Rather than trying to avoid turning points, leaders and workers should concentrate on how to handle turning points because this is what can make or break the entire transformation. Successful turning points can serve as an accelerator to improve transformation performance. Conversely, unsuccessful turning points not only can fail to improve transformation performance but can make the overall situation worse. In other words, leaders are much better served if they focus on the value a turning point can provide rather than ignoring the issues that lead to a turning point, hoping they will go away.

Decoding the root causes of turning points (Chapter 2)

Often there are multiple challenges rather than a single issue that prompt a turning point. By their nature, transformation programmes propel the organisation into a state of misalignment. In this state, turning points can arise from external challenges (such as geopolitical events or new regulations), internal

challenges (such as exceeding budgets or incompatible technology) or human system dynamics (feelings of a lack of ownership, power struggles or anxiety around insufficient capabilities).

Leaders who embrace the opportunity to learn from the issues, listen for the signals amid the noise and address the challenges as they arise within the context of the six conditions in our initial research (see the graphic above) will be more likely to navigate the turning point successfully.

Acknowledging the emotion in transformation (Chapter 3)

There is important data to be mined in the emotional reactions of the transformation workforce. On an individual level, a sudden shift in emotion may only be noise. However, a sudden shift in the emotional energy of a group is a signal that something is wrong.

Leaders need to listen to these emotional signals, make sense of what they're hearing and act in ways that replenish energy levels, rebuild trust, foster new ways of working and move the transformation from a place of stagnation to one of momentum and accelerated performance.

Navigating turning points (Chapters 4-7)

Our research included a survey of 1646 respondents across industries and geographies which we used to build a predictive model to understand how organisation successfully navigate a turning point, as well as five detailed case studies (see Figure 2 and 3).

Through our multi-method research, which includes a survey of more than 1646 respondents across industries and geographies, predictive modelling, and five detailed case studies, we identified a dynamic process leaders can take to navigate a turning point, which, if undertaken effectively, can improve transformation performance by 12 times. This comprises:

- **Sensing:** Sensing serves as the early warning system to identify signals and determine whether leaders need to intervene. This means looking beyond traditional KPIs and instead monitoring changes in the behaviour and emotional energy of the people involved in the transformation.

- **Sense-making:** Once an issue is identified, through the emotions and behaviours of the team, leaders need to bring people together across the transformation programme to identify the root cause of the issues and co-create a path forward.

- **Acting:** Acting involves re-establishing the six conditions we identified in our initial research that create the conditions where people can thrive.

The culmination of our three years of research inspires a new paradigm to help organisations deliver transformation programmes successfully – one that puts humans at the centre.

In our initial research, we discovered why so many transformations fail and what leaders can do to make them more successful. We learned that transformations don't follow a linear journey. They are dynamic. Along with all of the rational elements of transformation, leaders need to recognise the emotional journey of their people. We identified six conditions related to human behaviour that can create the necessary environment for transformation success.

Our current research is a practical application of the findings of our initial research. We learn that when leaders can build an early warning system around human emotions to help them sense when things may be going wrong, they can make sense and act on turning points using the six conditions as their guide.

In this new paradigm, leaders who embrace issues early and navigate turning points successfully, will gain maturity in foreseeing and address potential issues before they manifest as turning points.

Figure 2 – Methodology

Methodology

In this phase of the research, the University of Oxford's Saïd Business School and EY used a multi-method research methodology.

Quantitative survey

We surveyed 1646 people, including 846 senior leaders and 840 workforce members, in June and July 2023. Respondents represented companies with over US$1bn in annual revenue across 16 industry sectors and 23 countries in the Americas, Asia-Pacific and Europe, the Middle East, India and Africa (EMEIA).

Respondents were required to have been involved in a major transformation at their current organisation in the past five years. The survey focused on a single turning point – defined as 'when leadership believes a transformation has gone, or will go, off course and intervenes with the intent of improving its performance or outcomes'.

846
CXOs and senior leaders
- 49% CXO; 51% Senior executive
- Minimum 50 each: CEOs, CFOs, COOs, CISOs, CMOs, CSOs, CTOs and CHROs
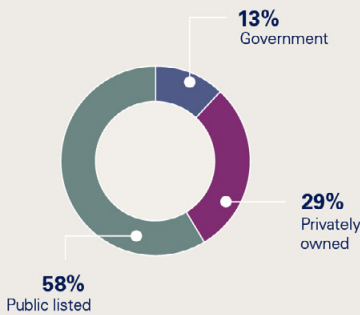
840
Members of the workforce
- 429 middle management
- 411 individual contributors
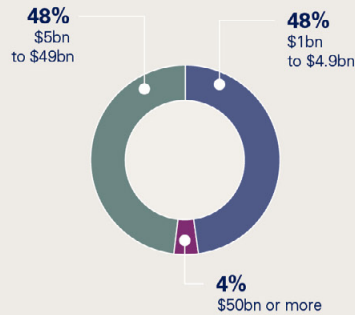- Mix of business functions

7 Industries
16 Sectors

Minimum 200 per industry and 80 per sector

1. Advanced manufacturing and mobility: automotive and transportation; manufacturing, chemicals, aerospace and defence, and industrial products
2. Consumer: consumer products; retail
3. Energy and resources: mining and metals; oil and gas; power and utilities
4. Financial services: banking and capital markets; insurance; wealth and asset management
5. Government and public sector
6. Health sciences and wellness
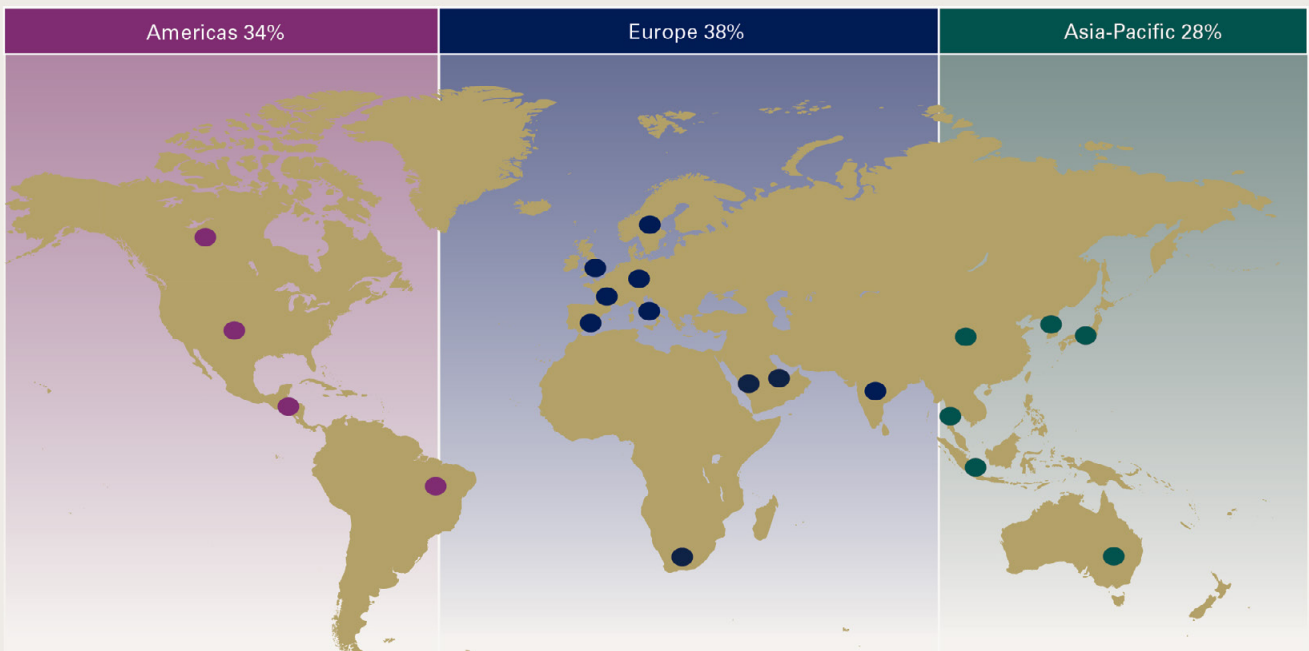7. Technology, media and entertainment telecommunications

Ownership
- 13% Government
- 29% Privately owned
- 58% Public listed

Annual revenue
- 48% $5bn to $49bn
- 48% $1bn to $4.9bn
- 4% $50bn or more

23 Countries

Americas 34%   Europe 38%   Asia-Pacific 28%

Predictive modelling to identify how to navigate a turning point successfully

To understand how organisations navigate a turning point successfully, we used predictive modelling on more than 40 actions taken before and during a turning point during the survey respondents' transformation programmes. Using ordered logistic regression with maximum likelihood estimates, we identified three steps that increased the likelihood that the turning point would significantly improve transformation performance: sensing, sense-making and acting. Each step consists of multiple actions.

To estimate the impact of these steps on transformation performance, we used bootstrapping to compare the likelihood that a turning point improves performance with how well these steps are adopted. For this comparison, we define 'above average' or 'below average' as an increase or decrease of one standard deviation, respectively, in average adoption of the actions in each step.

Figure 3 – Case studies

We conducted in-depth case studies of five major transformation programmes across the world – all of which faced and successfully navigated turning points and delivered significant value from their transformations. The turning points acted as critical accelerators to the programmes. We conducted interviews and focus groups with leadership, middle management and the workforce.

Applied Materials is a US-based global supplier to semiconductor manufacturers with US$25bn in revenue. The company embarked on a finance transformation using robotic process automation (RPA) to optimise finance processes and free up time for the team in the finance division to focus on higher-order work.

Volvo is a Sweden-based global vehicle brand with US$40bn in revenue. To continue Volvo's tradition as a pioneer of innovation, the company wanted to have the first purpose-built heavy-duty electric vehicle (EV) truck roll off its assembly line. Although corporate leaders considered building a new factory in which to build the heavy-duty EV trucks, they opted for a mixed-model assembly approach instead, which meant that heavy-duty EV trucks would roll off the same assembly line as its internal combustion engine trucks.

ANZ is a multinational bank and one of Australia's largest banks with more than $600bn in total assets. ANZ embarked on an ambitious, enterprise-wide HR technology transformation designed to create a cloud-based, mobile, modern working environment for employees (PeopleHub) that would reduce its operational base, enhance workforce analytics and improve controls.

Rio Tinto Group is a British-Australian multinational company and the world's second largest metals and mining corporation with annual revenues of US $55bn. Rio Tinto carried out a global supply chain transformation to standardise operations across their complex global mining operations. The aim is to become the 'best operator' in its industry, taking competitive advantage through its operational capability.

Part of LuLu Group International, LuLu Hypermarket is the fastest growing retail chain in the Middle East and Asia with annual revenues of US $8bn. LuLu Hypermarket embarked on an ambitious environment, social and governance (ESG) transformation at its Al Meshaf hypermarket location in Qatar, as a pilot for transforming the retail network of the whole group.

1 Understanding turning points and why they matter

In this chapter we outline what a turning point is – before we turn to why they occur so regularly.

What a turning point is

Almost every transformation (96%) has at least one pivotal moment when the programme veers off track. What we call a turning point is the point in the process where leaders choose to intervene (or not).

When leaders detect a risk that could derail the transformation progress, they must decide whether to intervene and, if so, how.

In our research, we use the following terminology:

Risk: something that could go wrong

**Issue or problem:** something that has gone wrong

Signal: how the issue manifests

Turning point: the moment a leader intervenes and changes course

Four out of five leaders we surveyed agreed that how they navigate a turning point – and how early they intervene – can determine whether the overall transformation continues to stagnate, or whether the turning point accelerates performance and improves the outcome of the transformation.

Transformation progress is rarely linear. When a transformation programme hits challenges, it can stagnate, continue to dip downwards or pick up and progress. Our previous research findings show that transformations tend to begin with a great deal of enthusiasm, but at some point things will inevitably get tough.

Figure 4 – The typical path of a turning point in a transformation
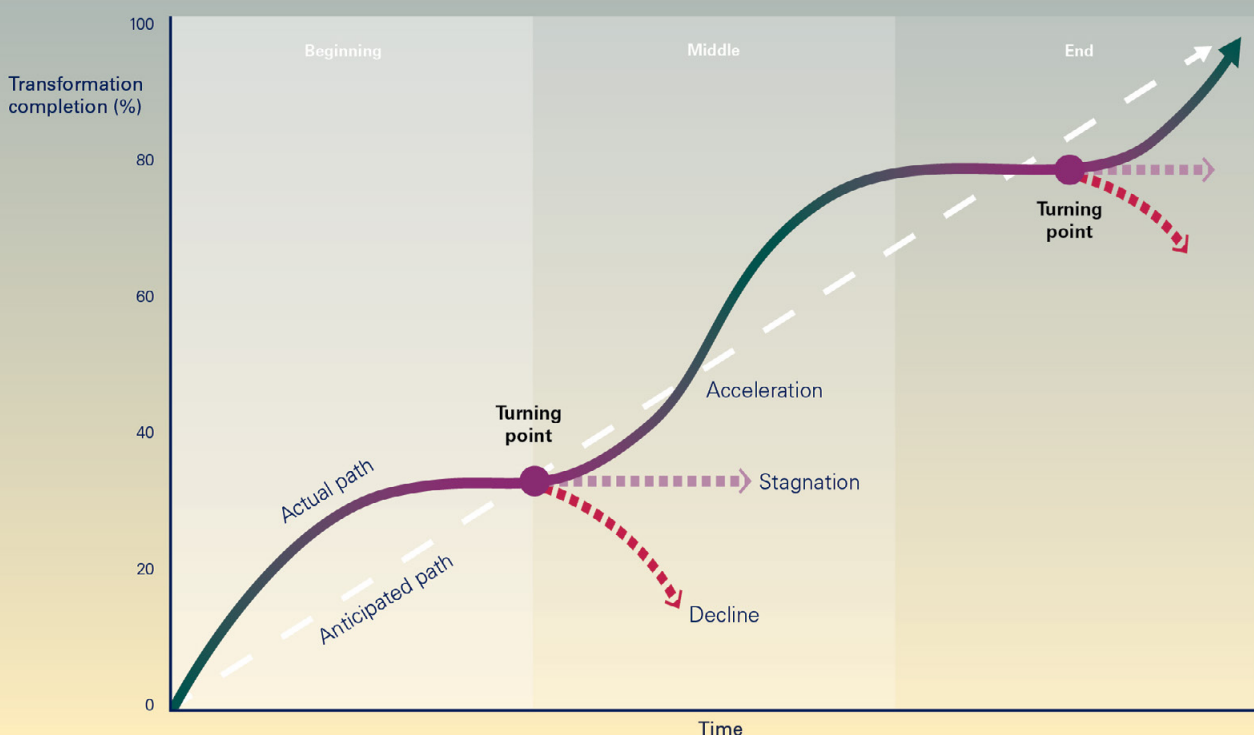
Why turning points matter

Although turning points are inevitable during a transformation, they need not be alarming. Rather than trying to avoid turning points, we suggest that leaders embrace the challenges associated with a turning point as an opportunity to improve the impact that their teams and the programme can have. Turning points offer the potential to increase success by accelerating progress. In fact, leaders who use a turning point to improve transformation performance will find the payoff significant.

Successful turning points are ones that respondents rated as 'improving' the overall performance of the transformation programme. Unsuccessful turning points are those that respondents rated as having 'no change' or 'worsening' the performance of the whole transformation programme.

The impact of a successful turning point cannot be emphasised enough. Not only can they address the near-term issues compromising performance (74% of successful turning points versus 33% of unsuccessful turning points), but they also lead to mid-term and long-term benefits for the organisation. For example, successful turning points are:

- 2.1 times more likely to improve the speed of execution of the transformation (80% of successful turning points versus 39% of unsuccessful turning points)

- 1.9 times more likely to lead to the whole programme overperforming its target KPIs (31% of successful turning points versus 17% of unsuccessful turning points)

- 1.9 times more likely to improve workforce willingness to participate and motivation for the next transformation (79% successful turning points versus 41% of unsuccessful turning points) – preparing the organisation to embrace a state of continuous change

Unsuccessful turning points, however, are:

- 1.6 times more likely to lead the entire transformation to underperform its KPIs

- 3.5 times more likely to leave workers grappling with negative emotions, such as sadness and anxiety, which can be detrimental to their wellbeing and the organisation as a whole

Although turning points can occur at any time during a transformation, our research indicates that 75% of them take place between the planning and early implementation phases, when management's intent to transform needs to translate into action across the organisation. This is the point when the reality of the future vision collides with the reality of today. Accepting these early turning points as a matter of course builds an adaptive muscle which can set the transformation programme on a path to thrive.

Paradoxically, where there is opportunity for an early turning point, the organisation has yet to feel the real pain of a transformation. As a consequence, leaders often see no compelling reason to intervene. Yet by the time the pain is felt, it is too late to act. Leaders need to be aware of this paradox and be tuned in to signals in the emotions and behaviours of the workforce so they can act early enough to create and navigate a turning point.

From our research, successful transformation leaders actively spot things going off track early, detecting the signals through the cacophony of noise and seizing the opportunity to take actions that can drive positive momentum.

This is what we intend to decode.

2 Decoding the root causes of turning points

In this chapter we outline the root causes of turning points, showing why they occur so regularly. In the next chapter we will turn to the importance of emotions and behaviours.
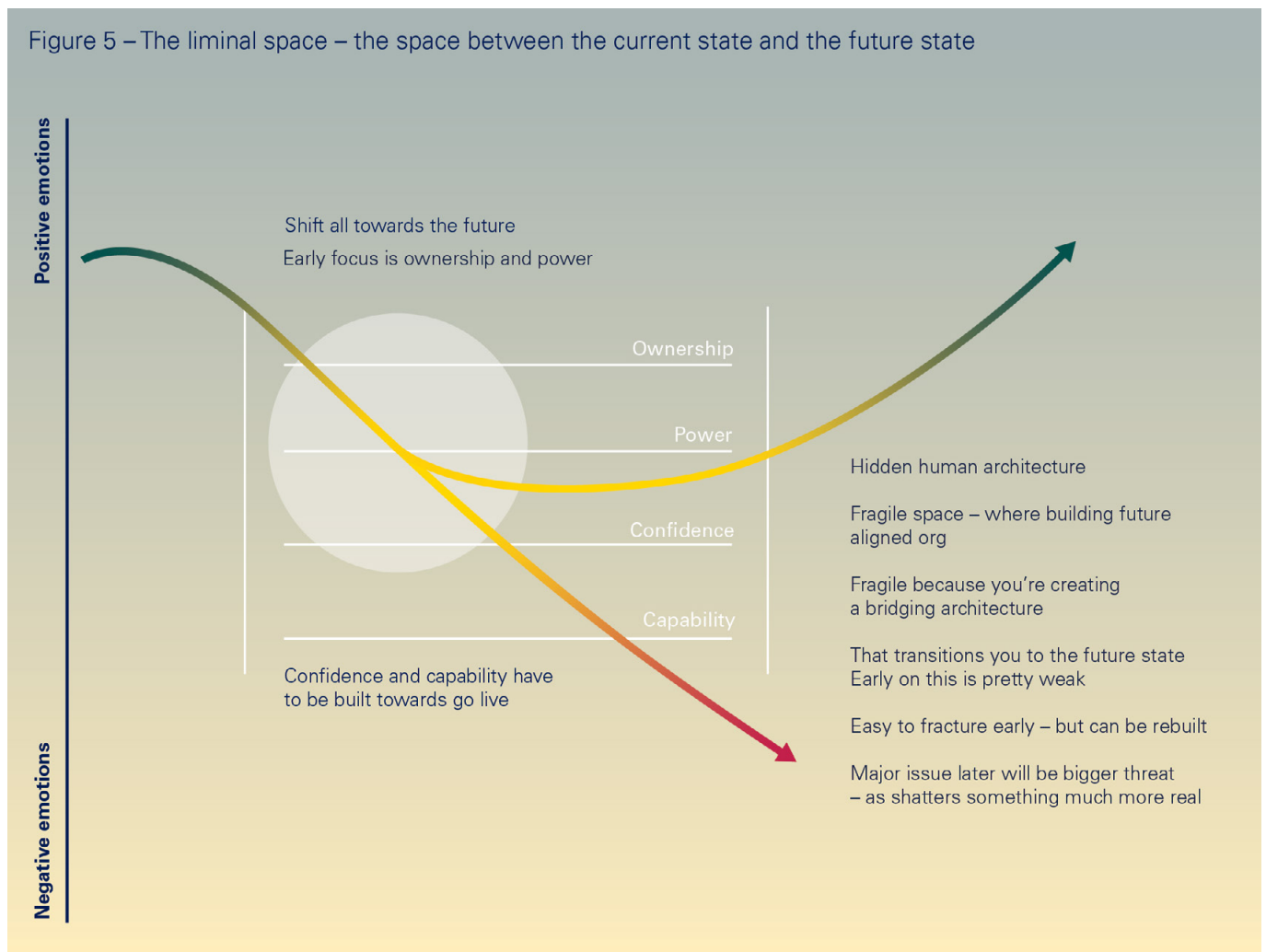
To understand why turning points are almost ubiquitous (96% of programmes encounter them), it is useful to take a step back and look at the process of transformation. Transformation programmes take the organisation into misalignment – a liminal space – the threshold between now and the future. The organisation is not yet ready to fully deliver for tomorrow, yet is increasingly less able to deliver today. Figure 5 illustrates this.
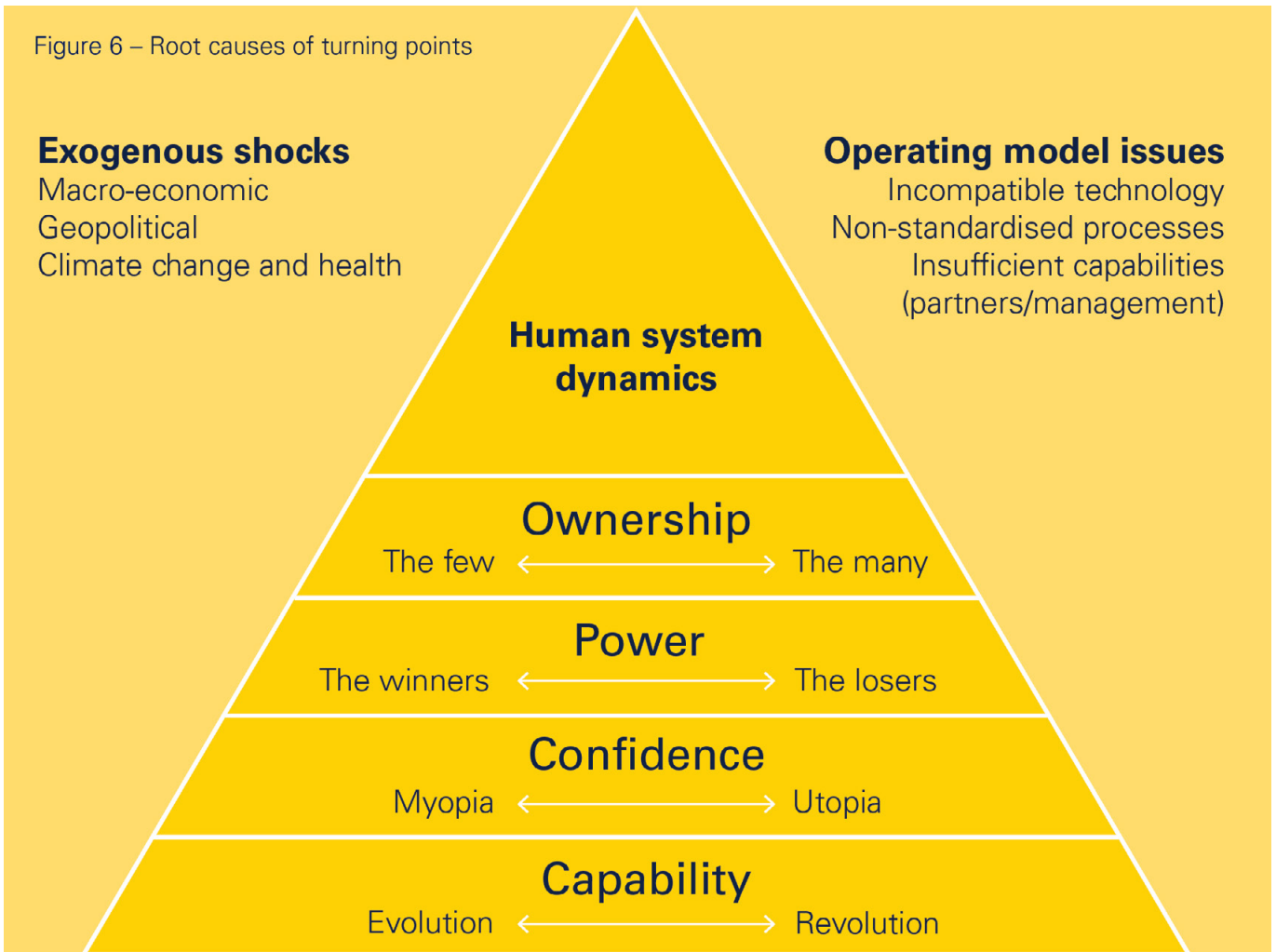
In this space of misalignment, programmes are vulnerable to three types of issues:

1.   Exogenous shocks, especially in times of disruption
2.   Operating model issues, caused by misalignment of the organisation
3.   Human system dynamics, which need to be shifted.

The effects of these issues are illustrated in Figure 6.

Figure 5 – The liminal space – the space between the current state and the future state

Positive emotions

Shift all towards the future
Early focus is ownership and power

Ownership

Power

Confidence

Capability

Confidence and capability have to be built towards go live

Hidden human architecture

Fragile space – where building future aligned org

Fragile because you're creating a bridging architecture

That transitions you to the future state Early on this is pretty weak

Easy to fracture early – but can be rebuilt

Major issue later will be bigger threat – as shatters something much more real

Negative emotions

Figure 6 – Root causes of turning points

Exogenous shocks
Macro-economic
Geopolitical
Climate change and health

Operating model issues
Incompatible technology
Non-standardised processes
Insufficient capabilities
(partners/management)

Human system dynamics

Ownership
The few ⟷ The many

Power
The winners ⟷ The losers

Confidence
Myopia ⟷ Utopia

Capability
Evolution ⟷ Revolution

Exogenous shocks

Exogenous shocks, such as inflation, supply chain disruption and geopolitical events, are more likely in these volatile times. Their impact is magnified because the organisation and the transformation programme are fragile. In our data, we can see that almost half (48%) of turning points involve at least one major exogenous shock. These affect people working on the transformation on both a rational and an emotional level.

Exogenous shocks are also becoming more frequent and interconnected. The COVID-19 pandemic triggered supply chain disruption, which was amplified two years later by the war in Ukraine and inflation. Many transformation programmes since 2020 have been vulnerable to these sudden shocks.

Operating model issues

Operating model issues stem from the intrinsic misalignment that transformations cause. In the pre-transformed state, organisations are set up for delivering what they do today. Launching a transformation programme deliberately aims for a new state of being, where they can deliver the results of

the future through refined business processes, ways of working or new technology. This fosters conditions for operational problems within the organisation. Most turning points in our data (71%) involve at least one operating model issue.

These issues can arise in any or all layers of the operating model – from technology to governance and processes to targets. Our deep-dive case studies suggest this is often a result of faulty assumptions and/ or an inaccurate understanding of the current reality of the organisation.

- Technology required for the solution may be incompatible with the organisation's existing technology stack.

- Processes are less standardised than anticipated, leading to a significant increase in the effort required.

- Implementation partners do not have the full complement of capabilities needed to deliver the solution.

- Leadership and management capabilities are not as strong as assumed.

Human system dynamics

There are also underlying human system dynamics to consider. As we have already seen, most turning points (75%) occur early in a programme, either during planning or early implementation. These are the moments when ideas must turn into action. Our in-depth case study interviews show that this stage requires a series of shifts in programme dynamics. These shifts create friction and are commonly where issues emerge. The key here is to transcend the tension, rather than solve it. At the same time, the human system dynamics of the team seem to be most pronounced earlier in the life of a programme and carry the most weight. Failure to address these dynamics can cause significant issues.

We have identified four types of human system dynamics:

Figure 7 – Ownership: the few versus the many
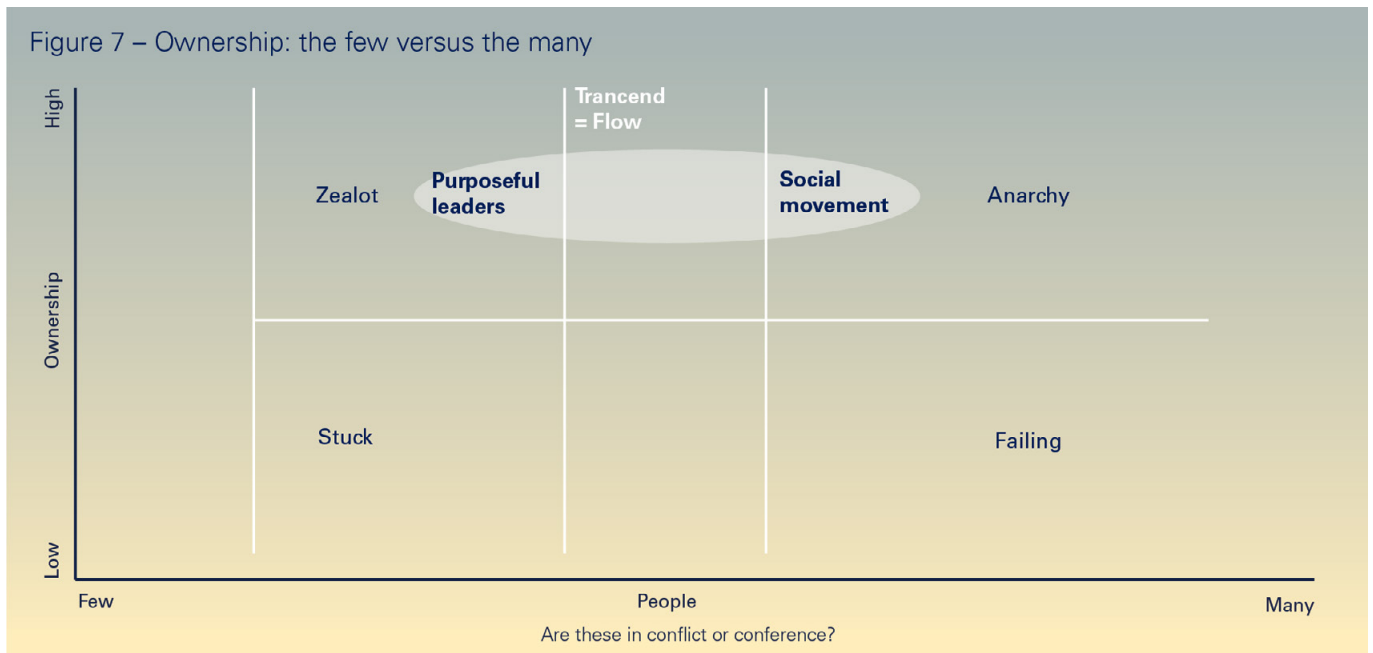
1. Ownership: the few versus the many

Early in a transformation, a small number of people own the vision: the leadership team of an organisation, which conceives the need for a transformation, and a small number of their trusted team members. As the programme scales, leaders need to scale this ownership to the many, while still ensuring that the few maintain its direction. This early transfer of ownership can cause an issue, because people who feel they are just being told what to do will reject the programme. They do not yet feel part of the movement.

Co-creation and ideation are key here – making everyone at all levels of seniority feel they own the transformation. In our case study interviews, leaders said they realised ahead of certain turning points that they needed to:

- Get everyone together to agree on new ways of working
- Move decision-making for the transformation from a small number of people in the centre, to a larger number of people distributed across the organisation
- Engage team members to lead experiments that would provide evidence for what works in the transformed state

The critical question leaders need to ask here is: Are we moving ownership from the few to the many at the right rate, and in the right way? In short: **Are we building agency?**

Figure 8 – Power: winners versus losers
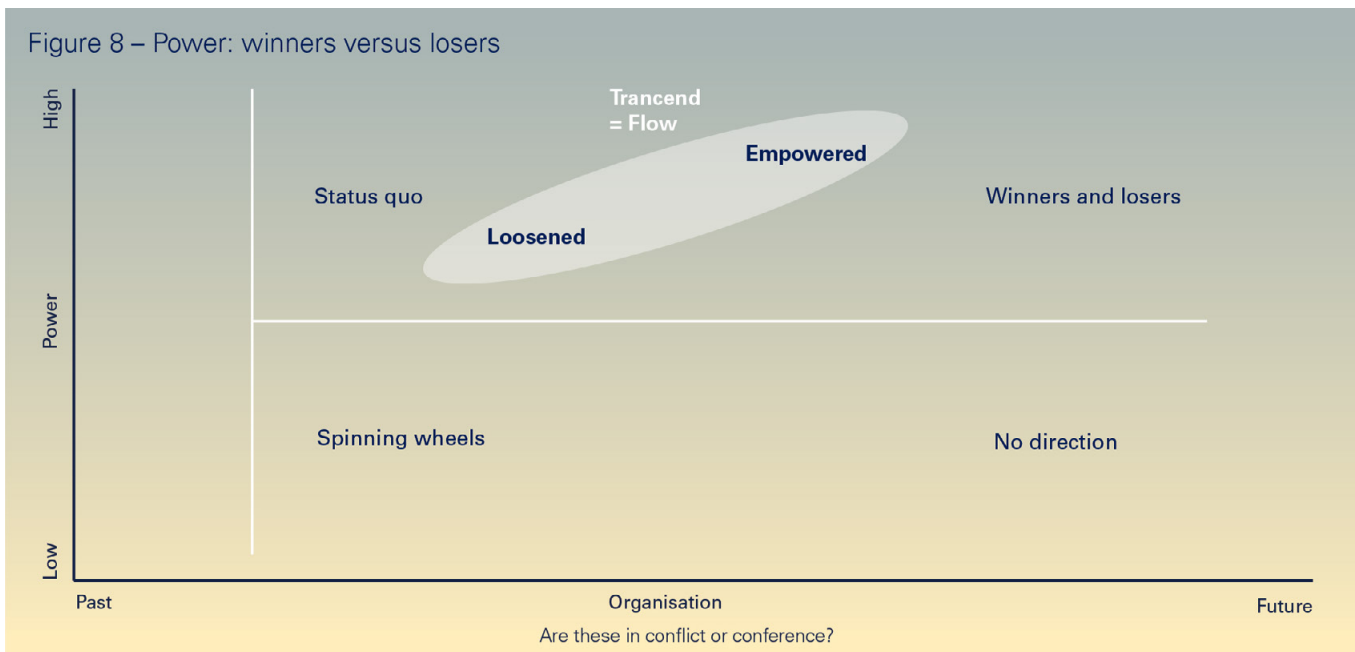
2. Power: winners versus losers

As the programme launch looms – the detailed design has been signed off, a pilot is completed and significant shifts in power bases are unveiled – the winners and losers of the future transformed state become more visible. The meta change here is that power is shifting from the status quo to a new future state.

Our research found locations of power can change in different ways:

- It can occur across an organisation, such as from one function or business unit to another

- It can occur up or down the hierarchy of an organisation, for example from middle managers to frontline workers

- It can be more personal, for example where individuals who are perceived to 'get' the future are promoted over those who are not

Knowing what to do about people who perceive they will lose power is not easy. However, doing nothing is a sure-fire way to create problems that could derail the implementation of a transformation. Listening with patience is key, as is clear communication about expectations, as well as tough decisions about people's futures if they are not prepared to move away from the status quo.

Leaders need to know where power is vested in the old organisation and shift power to the future at the pace that the transformation needs it. Leaders must put a deliberate design in place to shift power.

The major question that leaders need to ask here is: Do the right people and roles have the right levels of power to ensure the transformation is implemented and adopted? In short: **Are we too anchored in the past?**

3. Confidence: myopia versus utopia

As the programme starts to scale by entering the detailed design or pilot phase, there can be a crisis of confidence among individuals or collectively across the teams involved. Often the learning required to work in the new way takes time, and the results don't show at the projected rate. People naturally start to lose faith in the organisation's capability to deliver.

Too much confidence, however, can also signal trouble. People are either myopic and too anchored in the past, or utopian with too much belief in the ideal state of the future. A successful transformation requires questioning the past with an honest exploration of the future.

One of the key practical actions leaders can take to build confidence in their teams is to conduct pilots and experiments. Anxiety about future capability can often be reimagined. Then, when the real experience of the transformed state occurs, along with feedback as to what does and does not work, this anxiety can be transformed into belief and creativity.

The right question to ask here is: Are we building confidence at the right rate and in the right way to ensure the transformation is implemented and adopted? In short: **Do we believe we can do this?**

Figure 9 – Confidence: myopia versus utopia
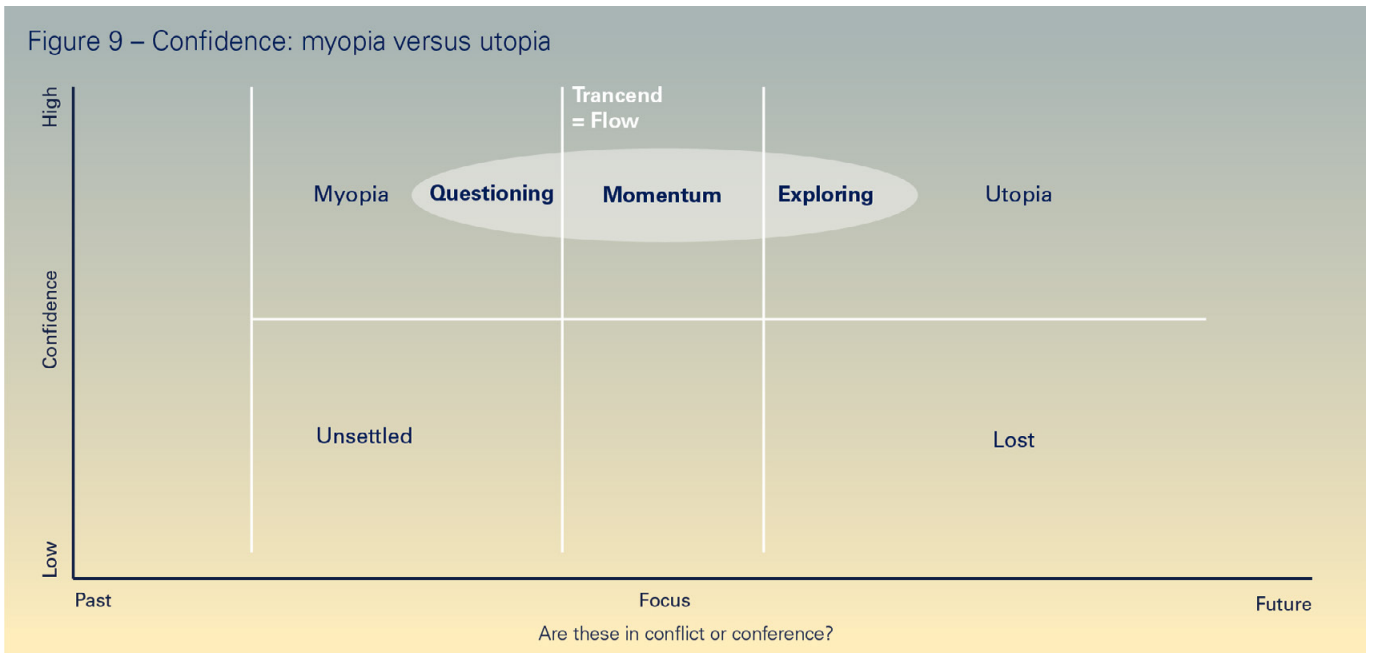
4. Capability: evolution versus revolution

As the programme progresses towards going live at scale, gaps in the capability of the organisation to sustain the programme will surface. Often these gaps are initially plugged by consultants or other external technical experts. Once these 'externals' no longer provide the services required as the transformation scales up, and workers realise that they will have to take on this work, tensions can rise significantly. According to our data, many transformation programmes fail to invest sufficiently in building new capability at the pace required to support the programme implementation.

It is also important to recognise that for a transformation to succeed, leaders often need to develop new capability built on existing capability. For example, in a transformation implementing a cloud platform at Australia and New Zealand Banking Group Limited (ANZ), the technology division needed to build new capability to support a cloud architecture. However, a substantial part of the existing tech stack was not on cloud, so it's been recognised that a new capability is needed, and when this is implemented successfully it's anticipated that this will boost its current capability. Essentially, the job of leaders and their teams is to help train and develop people with the skills to work in the new transformed world.

The right questions to ask here are: Do we understand the new capabilities required for the transformation programme? Where are the deficits? Do we have a plan to fill the gaps? In short: **Does our current team fit with the future?**

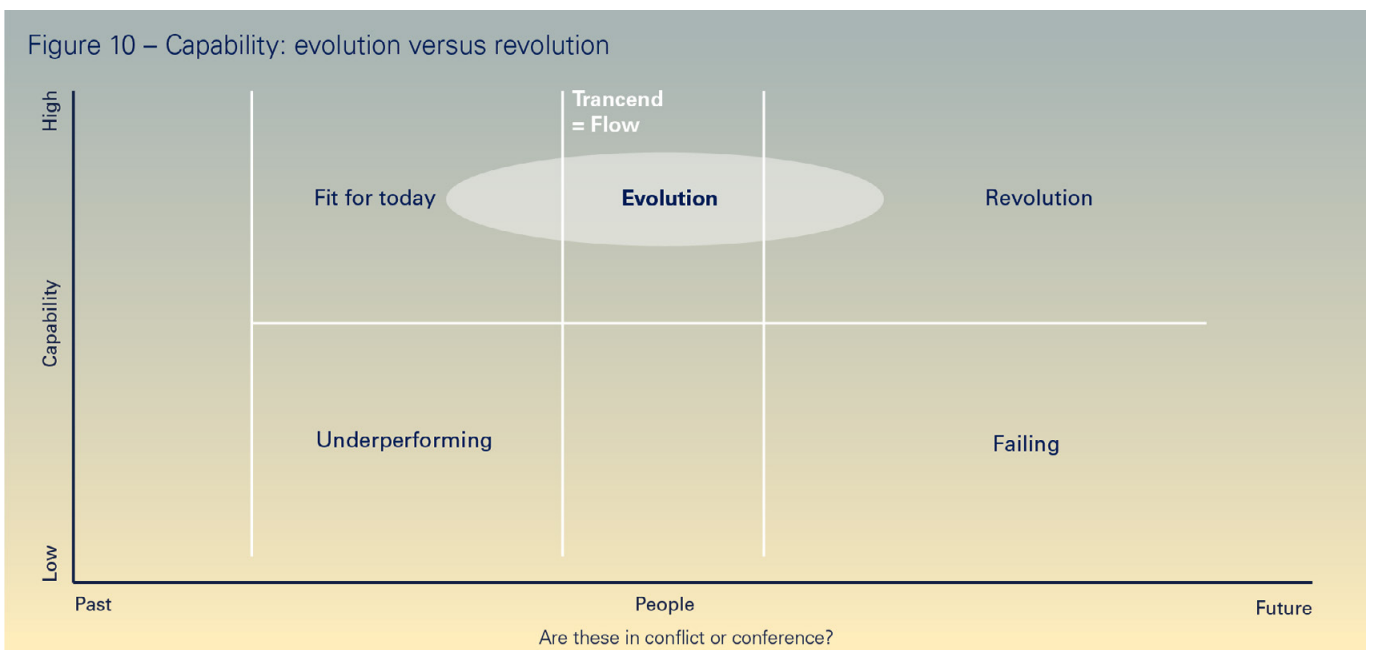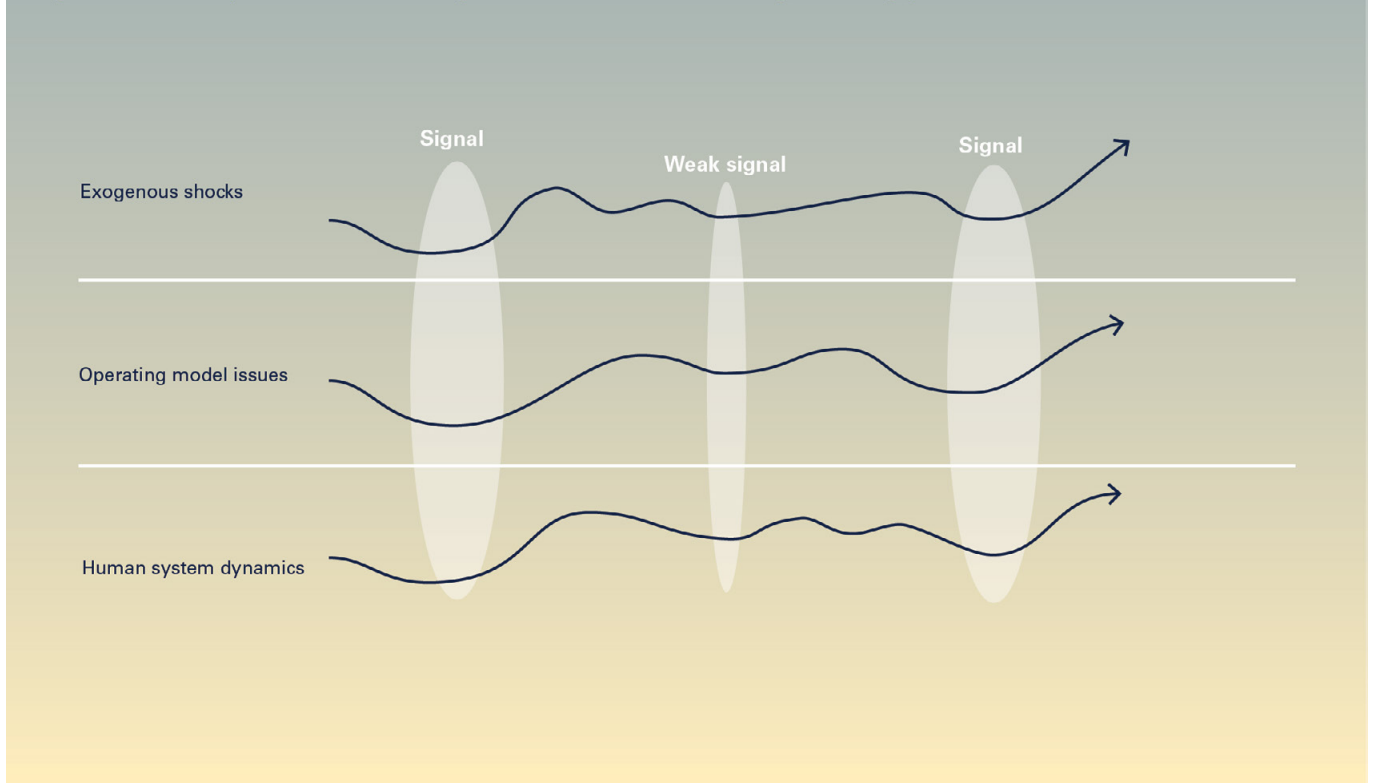**Figure 10 – Capability: evolution versus revolution**

Figure 11 – Multiple factors occurring at the same time, creating a turning point

Turning points emerge when multiple issues collide

The interplay of these three factors (exogenous shocks, operating model issues and human system dynamics) means that leaders are highly likely to face a time that will require a turning point. Remember that 96% of programmes do.

Our research shows that turning points are usually less often the result of a single issue, and more a combination of issues striking at the same time. Not all the issues individually escalate to a point that requires significant intervention. However, when multiple issues arise at the same time, things begin to falter. The noise around the transformation escalates and the emotional energy within key groups shifts. This is the signal that leaders must intervene.

If leaders fail to address the collision of issues when they surface, these issues will fester. This undermines people's belief in the vision and the leaders themselves. At the same time, transformation teams begin to feel less safe, particularly if their voices are not heard when they raise awareness of the issues.

In our research, leaders admitted that workers downplaying issues was the biggest reason for not taking action in time for the turning point to be navigated successfully. Workers, meanwhile, indicated that when they raised issues, leaders either did not listen or were not interested enough to address the issues.

Turning points are opportunities

Turning points come with the territory. They are opportunities to learn. Navigated well, they will elevate the impact the transformation programme will have.

Before we discuss how to navigate turning points effectively, we will dive into one of the key themes that keeps surfacing: human emotions and what they mean.

3 Acknowledging the emotion in transformation

In this chapter we turn to the importance of emotions. Emotions are your signals. In the next chapter we will outline how you can navigate turning points successfully.

For centuries, since the Age of Enlightenment, which emphasised the pursuit of knowledge through reason, rational thinking has served as the supreme foundation of knowledge and intelligence. Emotions, meanwhile, have been dismissed as characteristics of the weak or feeble-minded, as conditions to be suppressed rather than celebrated.
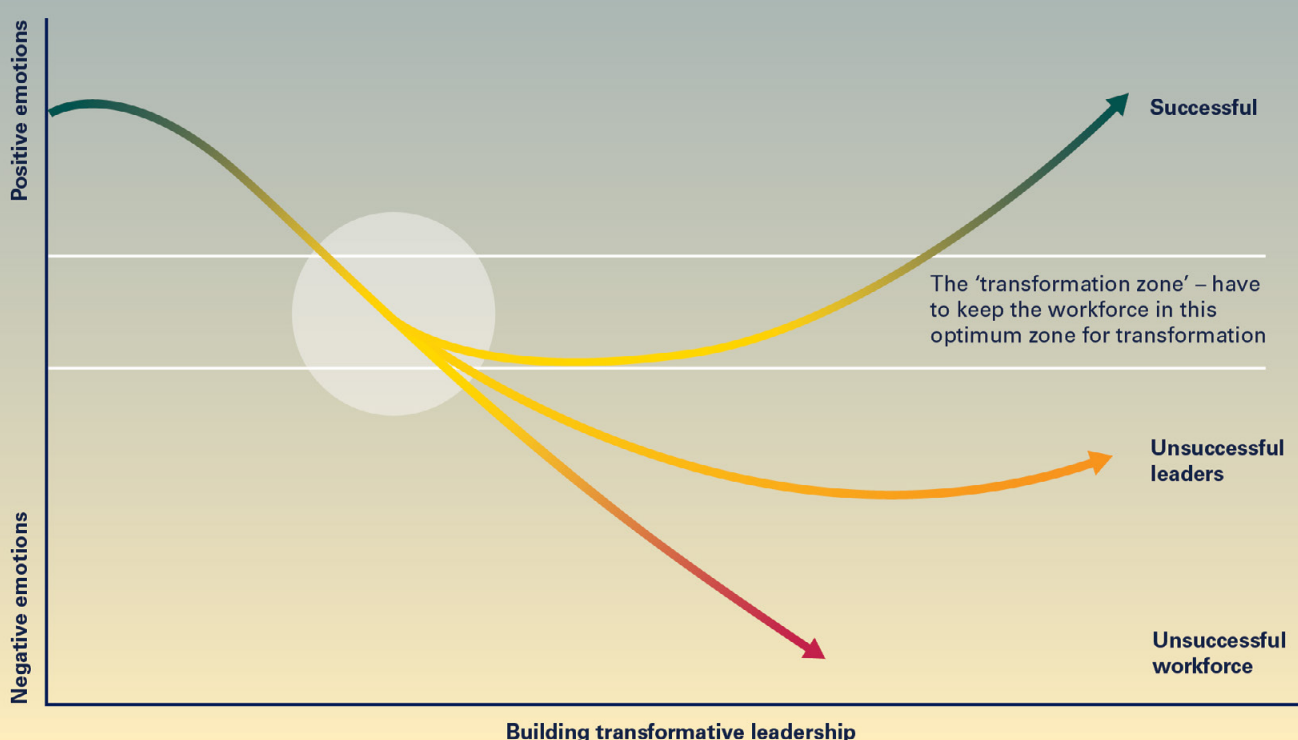
Rational thinking layered into the advent of Taylorism, a dominant mindset in scientific management of the 20th and early 21st centuries. This surmised that organisations could be designed and run as machines. Repeatable processes, predictable outcomes, efficiencies and change between periods of stability have been at the heart of this stage of history in the modern corporation.

Arguably, this thinking has extended to how organisations have traditionally viewed transformation programmes. As we have seen, programme plans are usually linear and assume perfect causality: 'I do this, they do that.' However, this is far from the reality of how they unfold.

In the latter 20th and early 21st centuries, academics in philosophy and psychology began to revitalise and reframe the importance of emotions. For example, Martha Nussbaum, in philosophy, and Susan David, in psychology, sought to re-establish the criticality of emotions as meaning-making mechanisms that tap into deeper personal insight. Meanwhile, followers of Sufism within Islam often emphasise the importance of emotional experiences in their quest for deeper self-understanding.

Nussbaum, a philosopher from the University of Chicago, defines emotions as 'our way of registering

Figure 12 – The optimal zone for transformation ('the 'transformation zone')

Positive emotions

Negative emotions

Successful

The 'transformation zone' – have to keep the workforce in this optimum zone for transformation

Unsuccessful leaders

Unsuccessful workforce

Building transformative leadership

how things are with respect to the external or uncontrolled items that we view as salient for our wellbeing'.[2] In other words, emotions are a key part of how we communicate with each other and with ourselves. We will have emotional reactions when something we view as important to us changes. Transformations will necessarily create emotional reactions in the people working within them, and impacted by them, and we can find deep insights from exploring these emotional reactions.

As a psychologist, David focuses on emotional agility, emphasising the importance of recognising and accepting emotions. Individuals, she says, should navigate their emotions with flexibility, understanding they are natural responses to situations.[3]

How does this philosophical history help with transformation programmes?

Our data show that emotional signals are the strongest indicators that an issue has emerged, but also the least frequently tracked.

In our initial research, ***The future of transformation is human***, we see the high emotional cost of transformation. We established that understanding and working with emotions and behaviours are key to transformation success. We also learned that it is critical to take people in the transformation programme into an optimal space of learning and performing, where there is a high degree of pressure but also a high degree of support. It is the combination of these two that creates that optimal space which we call the 'transformation zone' or the 'T zone'. This is the area between the two horizontal lines in Figure 12.

Sudden shifts in the energy of a group as the transformation approaches the T zone can indicate either an increase in performance, or that the programme is facing an issue. Leaders who can tune in to emotions and behaviours – both their own and those of their teams – can assess whether they have created this optimal space.

In short, emotions and behaviours are an early warning system that a transformation is veering off course. Yet our latest research shows that three-quarters of leaders and workers acknowledge that emotional support is often overlooked when planning and executing a major transformation.

First let's get some definitions clear as we will use three important terms that are interlinked:

- **Emotions**. Emotions are reactions to stimulus, but they are not necessarily observable.

- **Behaviours**. Behaviours are observable actions in a person or in a group. They can be the signal for an underlying emotion.

- **Emotional energy**. emotional energy refers to the collective mood, vibe and intensity of emotions within a group. It encompasses the overall emotional atmosphere, interactions and dynamics among its members, influencing their cohesion, productivity and effectiveness in achieving common goals.

When emotions change in an individual it is not necessarily a signal. It's an insight. But changes in the emotional energy of a group is a signal.

We see emotions and behaviours as key in two areas:

1. **As insight.** They provide clues on how people are feeling, how the programme is landing, and they give early warning of issues hitting the programme.

2. **As a signal.** Changes in a group's emotional energy may be a signal that you are facing an issue that may require a turning point.

Emotions and behaviours as insight:

Paying attention to changes in behaviours allow us to tune in to our own emotions and those of others. If we can dig into the emotional reaction which has caused a change in behaviour, we may find clues about what truly matters to us. For example, feelings of frustration may indicate areas where the transformation programme is working against something that is important to preserve. A frontline worker may feel that a new system doesn't allow them to serve a customer well.

By listening to, understanding and reflecting on their own emotions and the emotions of teams, leaders become aware of what is holding people back from progressing. They can avoid potential problems, foster new ways of working, and build higher levels of trust and social capital.

At ANZ, under heavy pressure to meet a tight deadline on a compliance regulation, the language shifted from 'us' to 'you'. The programme stalled. 'I was worried about the posturing of some of my peers that was starting to go, "Well, you know, instead of it's 'us' it's now 'you'. And instead of 'our' programme it's 'your' programme".' transformation leader, ANZ
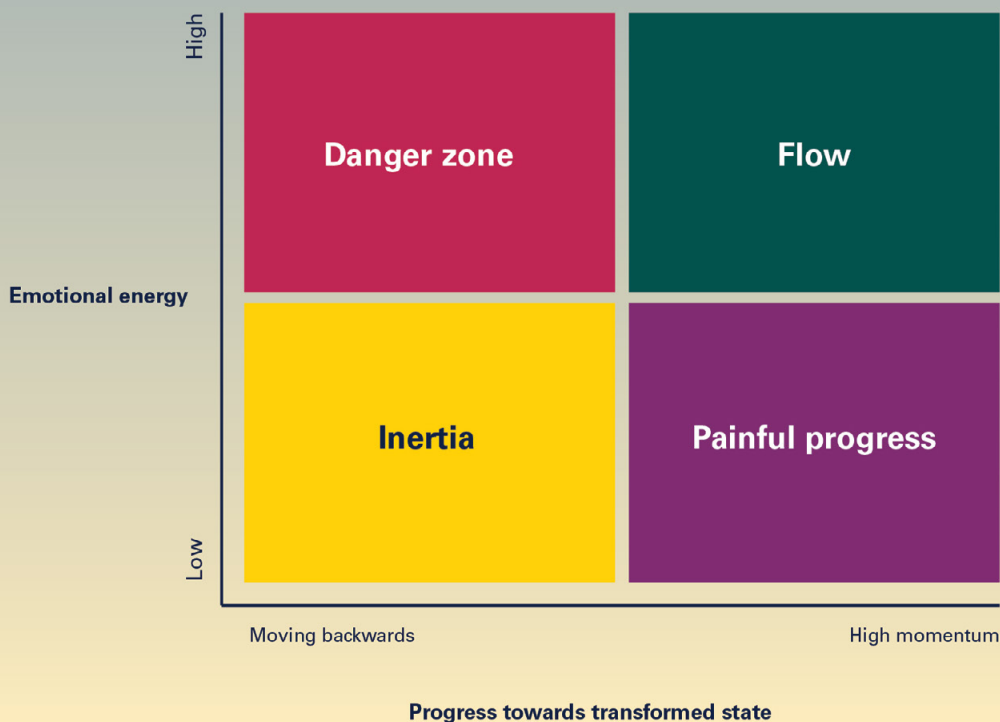
Emotional energy of groups as a signal

Changes in the emotional energy of key groups are signals for programme leaders. Our study defines the emotional energy of a group along two dimensions: high or low; and the level of progress of the transformation process.

In Figure 13, the x-axis indicates the organisation's level of progress towards the transformed state. The y-axis indicates a group's emotional energy levels. If the levels are high, the group will have strong reserves of emotional energy. If emotional levels are low, the group will feel it is running on empty and risking burnout.

When the energy is high and moving against the transformation programme, the group is in the danger zone. Leaders and the workforce need to confront the underlying issues and assess what they need to work on. High but negative emotional energy means that people are angry with the transformation and working against it. This is a precursor to burnout and must be addressed quickly.

Observing the emotional energy of a group involves paying attention to verbal and nonverbal cues. Leaders can assess body language, facial expressions, tone of voice and overall group dynamics. They should look for patterns in communication, engagement levels and how individuals respond to one another. Active listening and empathetic awareness contribute to a more nuanced understanding of the group's emotions.

Figure 13 – Observing changes in energy levels against the momentum of the transformation

	Moving backwards	High momentum
High	Danger zone	Flow
Low	Inertia	Painful progress

Emotional energy

Progress towards transformed state

Counter-intuitively, hearing more noise and a greater cacophony of voices is a good thing, as one frontline manager from Volvo's transformation programme told us. 'It's even getting more accepted to have noise because you are more open to listening to other people's noise as well… it's not only the management but also the team that is collaborating. They are listening to each other's noise to try to figure out how to silence it. So, I think this is also a learning thing that we've done through this process: it's not my noise that is important, it's our noise that is important'.

Energy can be depleted and replenished

Research shows that people have an emotional energy that can be depleted and replenished.[4] Emotional energy can stem from various sources and can be affected by the experience of transformation programmes. These may include:

- a loss of agency
- ambiguous environments
- lack of clarity or vision
- a feeling that the world is changing and not having a voice

Replenishing emotional energy often involves people spending time with others with whom they have a healthy relationship, focusing on a higher order purpose, co-creating ways of moving forward together and collective problem solving. At the same time, leaders need to watch for signs of burnout, a state of physical, emotional and mental exhaustion often caused by prolonged stress and overexertion.

How leaders build a transformation programme impacts the emotional energy of the people involved. Leaders have an opportunity to set up a project in a way that replenishes and builds emotional energy, rather than depletes it. Key here is to design activities that bring a sense of fulfilment which restore emotional wellbeing.

One of our deep dive case studies provided a good example of this advice at play.

At Applied Materials, the emotional journey of workers began with confidence but quickly faded as fears and anxieties emerged about job security. As one frontline manager explained: '*I think part of the apprehension was they sensed the bots were going to replace them.*' Another frontline worker admitted the same: '*We were afraid it was going to reduce the amount of people on our team. Say we have five [people], we could maybe do it with three if we had the bot. Then somebody is not going to have a job somewhere.*' The leaders listening to these emotions – to people's real concerns – and supporting them allowed them to work with the impacted team in a different way.

It was when leaders gave workers the freedom to experiment with the bots that negative emotions subsided. Once workers were able to interact with the bots and provide feedback for redesign, they felt energised and more assured that their jobs were safe.

It is clear that emotions and behaviours provide key insights into the progress of the transformation programme. So, how do you read them in order to navigate a turning point successfully?

4 Navigating turning points

In this chapter, we outline a dynamic process to navigate turning points. In the following chapters we will go into more detail on each.

When learning to identify the emotions of their workers, the questions that leaders need to ask themselves are:

- What should I pay attention to first?
- What actions should I prioritise?
- What are the consequences when programmes address this challenge successfully?

We have built a predictive model using our data from the 1,646 turning points (see the Methodology in the Executive summary) to answer these questions. The model identifies three steps that increase the likelihood that a turning point will significantly improve transformation performance by 12 times – from 6% to 72%.

We call these steps **sensing**, **sense-making** and **acting**. Figure 14 shows that these steps are dynamic in nature. By this we mean it was not a case of doing step one, then step two and then step three. Rather, it involved following the process once, then again, and moving forwards and backwards through it, as determined by the need of the programme. It is definitely not a case of doing it once through and then the process is complete.

Figure 14 – Three steps that can help navigate a turning point to increase performance

Sensing

Transformation completion

Sense-making
Root cause
Systemic analysis

Acting
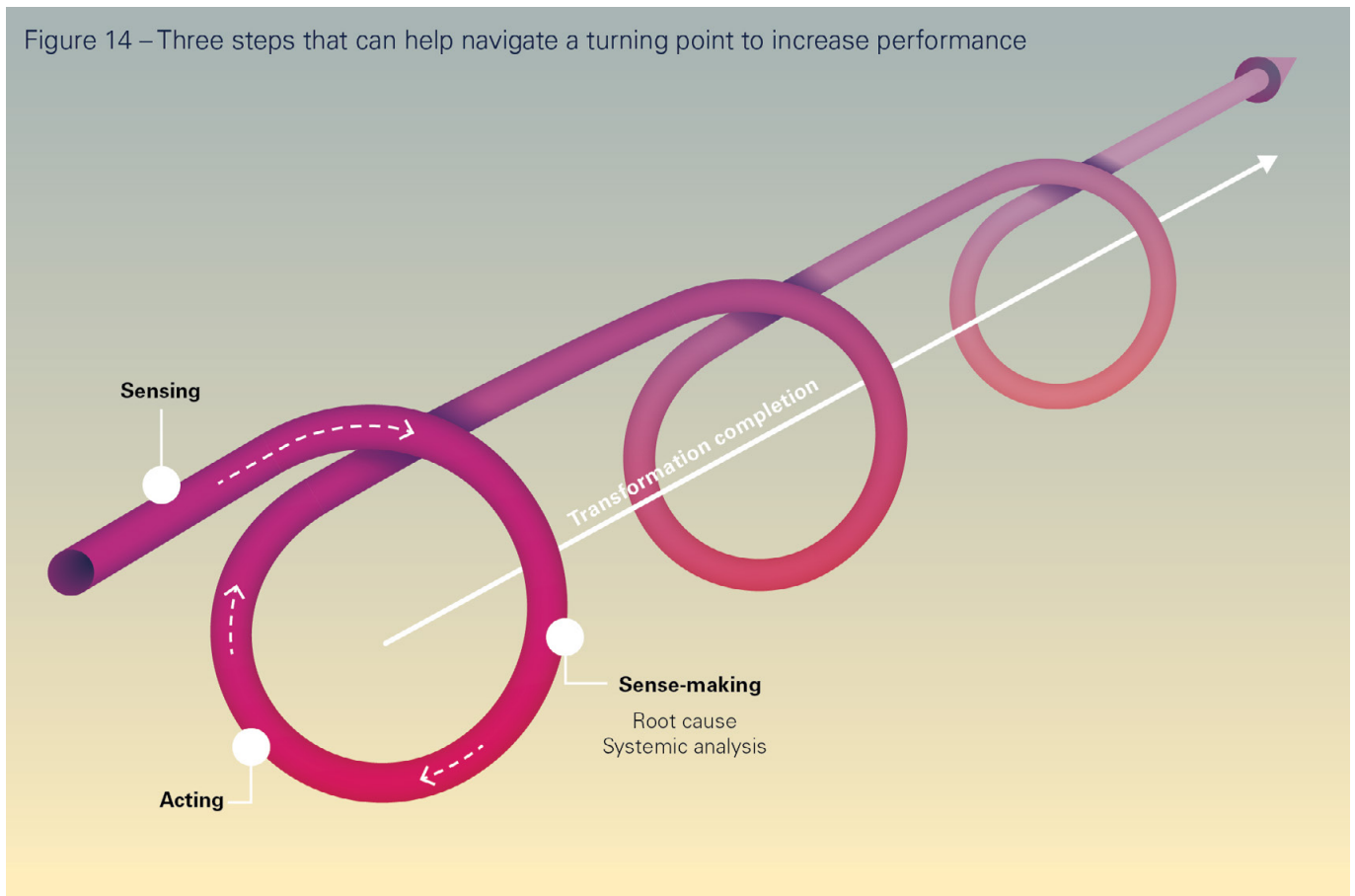
107%

increase in likelihood that a turning point will significantly improve transformation performance when leaders take steps to spot issues early.

1. Sensing

To spot when issues arise as early as possible, leaders need to change from looking only at lag indicators such as KPIs to looking also at leading indicators (key behavioural indicators, KBIs) that the workforce exhibit. Our predictive model shows that when leaders take steps to spot issues early, they can more than double the likelihood (107%) that the turning point will significantly improve transformation performance.

Sensing, however, does not come naturally to many leaders. Nearly three-quarters (72%) of respondents in our survey admit they find it difficult to spot warning signals. This often stems from the achievement-oriented nature of many leaders and the work and political capital they invest in the programme being successful. Furthermore, a substantial 61% of leaders admit it is difficult to discern when to intervene and when to stay the course.

It is important to note that sensing requires an understanding of the baseline emotions and behaviours of a team. Sensing is about the deviation from 'normal' emotions and behaviour, so it is important that leaders observe the norm before a transformation programme begins.

66%

increase in likelihood that a turning point will significantly improve transformation performance when leaders involve the collective workforce to understand issues and decide the course of action.

2. Sense-making

Once leaders have sensed the signals, they need to convene the right leaders and members of the workforce to understand the issues and co-create the way forward. This is what we call the sense-making process.

Here, leaders bring people together, often in a physical location, to create a shared understanding of what the issues are and a feeling of ownership over the outcome of those issues. This goes beyond transformation leaders simply telling others what is happening. It is a genuine effort to collaboratively make sense of what is at play. Our case studies show that new ways of working – which will embody the transformation – are often developed during large transformation-wide get-togethers.

314%

increase in likelihood that a turning point will significantly improve transformation performance when leaders take combined action in six areas.

3. Acting

Once programme leaders sense the issues and understand what they mean, or are in the process of trying to understand them, they need to take action. Importantly, these actions must put humans at the centre if they are to address the specific challenges facing the transformation. Our predictive model identifies actions in six areas (out of 10 analysed) which, taken together, increase the chances that a turning point will significantly improve transformation performance by 314%. Acting involves re-establishing the programme environment that allows and encourages people to work together, using the six conditions we identified in our initial research.

Acting is not necessarily an independent step. It often occurs concurrently with sense-making, as leaders continually decide the best cause of actions based on continual sense-making.

If our research over the past three years has made one thing clear, it is that organisations need to treat transformations as dynamic and as continual learning processes, characterised by periods of shifting emotional energy. These dynamics are not to be managed back into the original plan. Leaders need to be physically and emotionally present to embrace them, and provide clarity to the team, in order to navigate turning points successfully.

5 Sensing

In this chapter we deep dive into the sensing aspect of the dynamic process. In the next chapter we will look at sense-making.

The rewards of early identification are substantial, but recognising the issues is complex. One complication is that the majority (84%) of turning points in our study include multiple signals that a significant issue is bubbling. Although that may make signals easier to pick up, it also makes them harder to interpret and act upon.

What is a signal?

A signal is any kind of information – such as a sound, an image, or data in a communication system – that is relevant to what someone is trying to find out.

Noise, in contrast, refers to unwanted or irrelevant information that interferes with the reception or interpretation of the signal.

For the purposes of this research, signals are unexpected changes in the behaviour or emotional energy of groups involved with, or affected by, the transformation programme.

General fluctuations in emotions are noise. Noise represents the heightened emotions of the people involved in the transformation. For example, noise might be that people are unhappy. But the signal is that their energy has shifted – they are stagnating or moving against the programme.

In ANZ, the team started to stagnate as the pressure rose and groups got close to burnout. In Volvo, a lack of ownership of the approach to the transformation meant that people slowed down or stopped – stalling the forward momentum of the transformation programme.

What are you sensing for?

It is important not only who leaders listen to, but also what they listen for. Sensing is emotional as much as it is rational. It is physical as much as it is mental. Only when transformation leaders engage fully with all their senses do they stand a chance of sensing the signals that suggest it is time to intervene.

Most organisations use dashboard metrics to track progress and detect problems. These are the rational elements: timelines, milestones, budgets and KPIs. All are meticulously analysed. However, they are lag indicators, which reflect past performance, rather than lead indicators to inform future action. Our predictive modelling indicates that although KPIs are important, they need to be complemented with key behavioural indicators (KBIs). These represent the emotional understanding of the workforce.

The behaviour and emotional energy of transformation teams are the early warning system. Read well, leaders can anticipate the issues that precipitate turning points, instead of spotting the missed junction in the rear-view mirror.

Unfortunately, the typical transformation programme dashboard is not set up to capture these leading indicators. Capturing these signals requires sensing – through data and through dynamic listening – to behaviours and emotions. At Applied Materials, the transformation leader sat with the workforce and listened, not only to what employees were saying, but also to the silences, which spoke volumes.

'I was sitting through those workshops at the back, listening to the interaction and judging how the supplier was answering the tough questions from the applied team. What they didn't say, the silence in the room, the answer was not robust. They didn't have an answer. The Applied Materials team asked two questions and then went silent. Their internal filter was saying: "This person doesn't know what they're talking about."'
Transformation leader, Applied Materials

Figure 15 – Signals that an issue had emerged
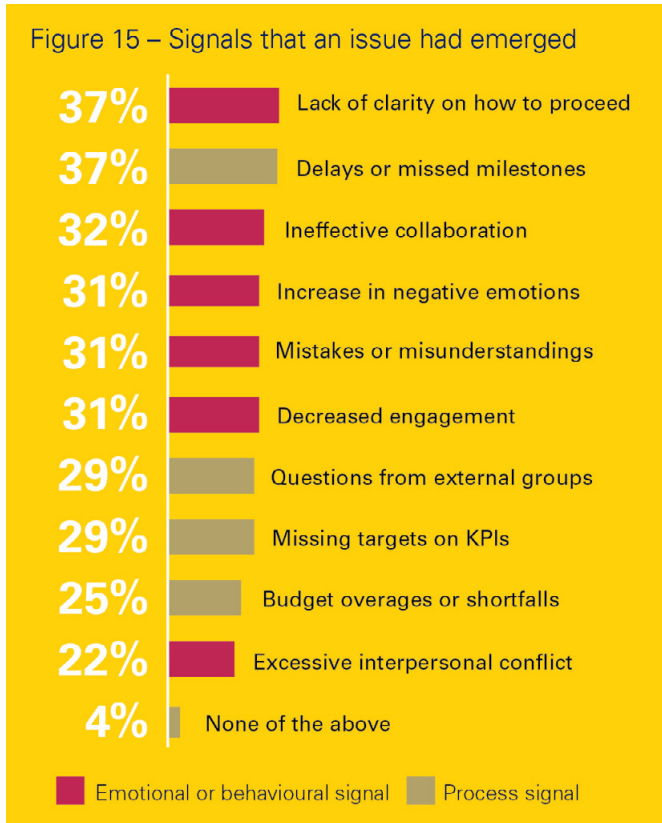
%	Signal	
37%	Lack of clarity on how to proceed	Emotional or behavioural signal
37%	Delays or missed milestones	Process signal
32%	Ineffective collaboration	Emotional or behavioural signal
31%	Increase in negative emotions	Emotional or behavioural signal
31%	Mistakes or misunderstandings	Emotional or behavioural signal
31%	Decreased engagement	Emotional or behavioural signal
29%	Questions from external groups	Process signal
29%	Missing targets on KPIs	Process signal
25%	Budget overages or shortfalls	Process signal
22%	Excessive interpersonal conflict	Emotional or behavioural signal
4%	None of the above	Process signal

Emotional or behavioural signal   Process signal

How to sense a signal

One of the overarching findings in our data shows that the signals to pay attention to are behavioural, rather than process related. Six of the top 10 signals identified in Figure 15 are changes in the behaviour of the workforce or changes in their emotional energy.

Five of the top six signals – lack of clarity on how to proceed, ineffective collaboration, increase in negative emotions, mistakes or misunderstandings, and decreased engagement – show a shift in the behaviours or emotional energy of an individual or group.

We examine the top six signals in more detail in the grid below, exemplifying the changing emotions and behaviours, as well as the one KPI through our case studies.

As you will see, sometimes these signals are strong and relatively easy to detect. More often, they are subtle and difficult to pick up, particularly among the noise of a complex transformation. The strength of the signal depends on the health of the relationship and the level of psychological safety.

Signal	Examples
Lack of clarity on how to proceed	A spike in anxiety; energy levels turn static as teams can't make progress Increasing fear; loss of confidence to move forward *'I think it was quite new to us. It's a new product class and we didn't have the knowledge since no one has done this transformation before.'* – Senior factory manager of Volvo.
Delays, slow progress or missed milestones	Frustration, stress and anxiety around aggressive timelines or complexities In Volvo Trucks, leaders needed to come to the production line in the early phases to understand the complexity of the products and how the new design affects the production process. *'We invited leaders to the factory and showed them the design and its challenges [and asked]: "Look, can you assemble it?" And they understood the problem and said "No, we definitely need to make a change here".'*
	Anger at planned timelines that are no longer realistic; teams start to stop working and/or pull away from the programme At ANZ, burnout started to be experienced within teams – which showed the need for an intervention and a turning point. *'After the system went live it was almost like the team hung on until the end. The system went live and then the two key people both fell in a heap at the same time.'* – Senior manager, ANZ
Ineffective collaboration	Groups stop working together to solve complex problems and instead, retreat to silos At Applied Materials, separate groups appeared to be emotionally isolated or stuck. *'[The consultant] got more and more stressed. Started throwing things over to us as we were building up our COE (centre of excellence). Because we were still learning, there was quite a lot of stress within the organisation. So, we were starting to throw things back over.'* – Senior manager, Applied Materials
	Language shifts from 'we' to 'us versus them' At ANZ, under heavy pressure to meet a tight deadline on a compliance regulation, the language shifted from 'us' to 'you' and the programme stalled. *'I was worried about the posturing of some of my peers who were starting to go: 'Well, instead of it's us, it's now you. And instead of our programme, it's your programme.'* – Transformation leader, ANZ

Signal	Examples
Increase in negative emotions	Employees feel helpless as issues go unaddressed *'Negative emotions mounted. People had been raising things for a while and because they weren't getting the loop closed… there was frustration. There was a sense of helplessness.'* – Manager at ANZ
	Employees feel anger and frustration as they get close to burnout At Applied Materials, the consultants took a long weekend around a statutory holiday. This rankled the in-house workers because they were still operating full tilt. *'I remember a couple of people going: "Wait, the consultants get five-day weekends and we don't?"'* – Senior manager, Applied Materials
Mistakes and misunderstandings	People start to doubt themselves and don't feel safe At ANZ, a senior manager recalls a high performing frontline manager relaying that they were getting crushed by simultaneous deliverables. *[They said]* 'Hey, it's OK now, but balls are going to start dropping and they're not going to be little tennis balls, they're going to be the kettlebells.' – Senior manager, ANZ
Decreased engagement or communication	Absence of emotional energy. Employees go quiet *I was sitting through those workshops at the back, listening to the interaction and judging how the technology supplier was answering the tough questions from the applied team. What they didn't say, the silence in the room, the answer was not robust. They didn't have an answer. The Applied team asked two questions and then went silent. Their internal filter was saying: 'This person doesn't know what they're talking about.'* – Corporate Vice President of Finance

Why do so many senior leaders fail to pick up these signals?

Leaders concede that it is easy to miss early warning signals and difficult to know when to act, largely because of the difficulty in distinguishing a signal amid the noise. Most leaders (70%) believe they could have detected the underlying issues affecting their transformation sooner, and 61% agree it is difficult to know when to intervene and when to stay the course during a transformation.

It is not always a person's competency in sensing that prevents signals getting through. Rather, the barrier may be a failure to create the right conditions for the signals to transmit. A leader may be unwittingly causing the stream of signals to dry up, so there is nothing to sense.

To sense the emotions and behaviours of people, there needs to be an environment where staff can express themselves safely. This is known as psychological safety.

Transformation leaders tell us they want workers to be candid. The main two barriers they identify for not detecting issues sooner are:

1. individuals being too optimistic (37%)
2. middle management or the workforce not communicating issues (36%)

In other words, they believe the problem with poor communication flow lies with their team, not with themselves.

The fallibility of human nature provides two reasons why leaders may see things this way.

1. Leaders subconsciously pressure the programme to 'get to green'

Humans have a deeply embedded aversion to failure and the psychological damage it causes. Also, leaders are often achievement-oriented drivers.[5] They strive for success and constantly drive for results. A subconscious fear of failure and their achievement orientation can mean they give signals that they expect the programme to be progressing faultlessly. The team sees that leaders want to see green dashboards, even if the underlying issues are trending red.

One senior manager from ANZ explained the predicament they face: *'One of the biggest cultural issues is you've got so much personally invested in it that you are quite defensive when you are told: "This isn't working"'.* Conversely, another middle manager told us they believed, *'the issue had to get serious before senior leaders would listen.'*

2. Leaders believe people feel safer to speak up than they do

Senior leaders often inadvertently cue their team to be quiet. University of Oxford research[6] shows that senior personnel and their teams diverge widely on whether it is safe for members to speak up. Leaders base their belief on how safe they feel expressing *their* views. Teams on the other side of the power dynamic do not share this optimistic view.

In our research, the top three employee barriers to alerting leadership to an issue are:

1. flagging issues that do not get escalated (33%)
2. concerns not being taken seriously (32%)
3. leadership never asking for their input in the first place (32%)

The most recent EY Workforce Reimagined Survey[7] supports these divergent perceptions of trust. Whereas 75% of leaders say employees feel trusted and supported by their leaders, only 54% of employees feel the same way.

In our 2022 research paper, we encourage leaders not to wait for the 'speak up', but instead to 'call up' for workforce inputs. When leaders don't ask – or even worse, ask but don't listen – it creates a vicious circle because staff who were willing to share their concerns with transformation leaders will eventually stop sharing if they feel unheard.

In ANZ's programme, one of the senior managers reflected on the necessity of creating space where the team could speak up and be honest. This was important as they looked to navigate a key challenge to the programme…

'They felt someone was listening to their issues. Even though there wasn't necessarily a clear answer or a positive answer they wanted to hear, at least they felt I had their back, [that] I understood the issues. I guess I sort of helped the team put some structure around some of the problems they were experiencing.' Senior manager, ANZ

How can you build a sensing system?

A leader needs an unimpeded flow of sentiment across the whole organisation, from both internal and external stakeholders, where all people feel they can speak openly and honestly. Most importantly, they need a system where they can capture shifts in emotional energy. Alignment and healthy relationships are vital for this sort of effective, free-flowing communication.

Our data identify five essential areas that contribute to a successful sensing system.

1. Be present. Leaders who navigate turning points successfully spend time with frontline teams and workers in the transformation programme and tune in to sentiments and feelings.

2. Broaden your network or relationships. It is tempting for leaders to selectively listen to an 'inner circle' of people who seem to speak with greater clarity. Leaders should resist this because all they are listening to is their own echo chamber, and what they hear is groupthink.

3. Develop a network of influencers. Leaders benefit by building networks with all involved in the transformation process to understand what is really going on. Whether joining people for coffee or attending stand-up meetings, leaders can identify so-called influencers across the transformation – the employees who are the opinion shapers and who have a reliable read on the progression of the programme. These influencers are often not in formal positions of authority, but their view of the transformation is wide and vital.

This network building should also include any external parties: regulators, shareholders and in some cases unions, the press or the local community. Essentially anyone who may be affected by or involved in the transformation.

4. Focus on your middle managers. Our research suggests that middle managers – so often maligned in wider discussions about leadership – play a crucial role. In a transformation, they are the interface of information flow. They help senior leadership understand where to focus their attention, while helping workers understand the future vision and how to proceed towards it. They are most frequently the first to sense emerging issues (43% compared with 37% for leadership and 19% for the rest of the workforce). Middle managers are part of 'management' but are far closer to the practical experience of the transformation on the shop floor. As such, they have a better understanding of how the organisation collectively feels about the transformation, and are the most likely to provide emotional support to others, both to the leadership and workers. Figure 16 has the details.

Figure 16 – The role of middle managers
in sensing issues and providing support

Middle management is often the first to detect issues
and the most likely to support both leaders and
workers. Over-invest time and resources to get their
buy-in and empower them to support others.

First aware that an issue emerged

37% Leadership

43% Middle management

19% Workforce

**Provided emotional support to others such
as mentoring, training and empathy**

35% Leadership

71% Middle management

43% Workforce

5. Use data and insights. Some leaders of successful transformations also used technology and data to gather the valuable insight needed to detect dangerous sentiment shifts. This could be in the form of email traffic, employee pulse surveys or more advanced data analytics, and can indicate whether groups are becoming disconnected or if there are spikes in emotions. This quantitative data should be quickly backed up with face-to-face interactions with key groups for a more nuanced understanding of what is happening in the team.

6. Complimenting KPIs with KBIs. Leaders should assume that their team members do not feel safe speaking up. They need to find ways to hear these voices and understand the underlying sentiments. They need to create conditions of psychological safety and emotional support to encourage their teams to speak up.

Once leaders know the signals they need to pay attention to, they need to understand what the signals mean through sense-making.
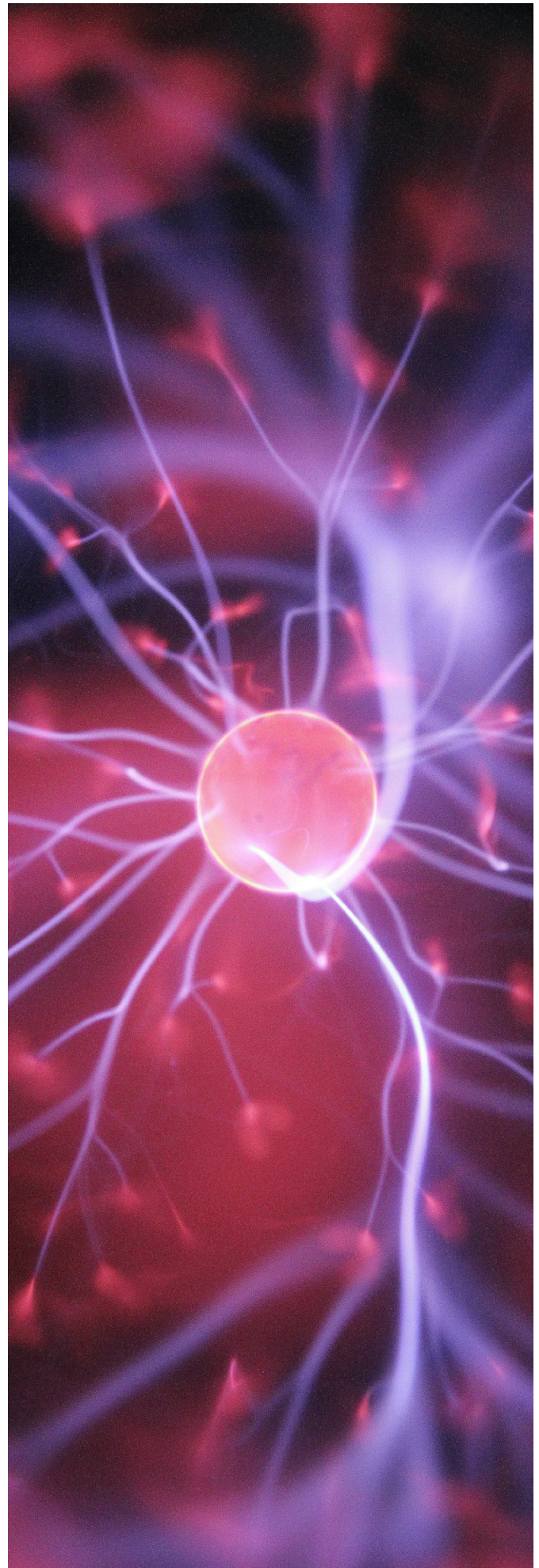
6 Sense-making

In this chapter, we deep dive into the sensing-making aspect of the dynamic process. In the next section, we will look at acting.

Sense-making means getting to the root cause of the issue that leads to the turning point and then building a plan that allows leaders and their teams to test and learn. Bringing the whole team together – internal staff and external service providers – is essential to understand what is happening and to design an adaptive and agile plan that will allow leaders to test their understanding further.

Dominant lag indicators, such as KPIs, which populate common dashboards, seem to offer clarity. Although their retrospective nature makes them less useful to guide future action, their apparent objectivity makes it tempting to use them in decision-making.

KBIs and emotional cues, in contrast, are much more subjective, diffuse and hard to understand. If the signal is a shift in emotional energy, the next step is to get to the root cause. Leaders should try to discern what they need to work on to get the programme back on track. Navigating a turning point successfully requires more than spotting the signal among the noise; it requires leaders to decode what the signals are saying.

Our predictive model identifies three principles. When applied, they can increase the likelihood that a turning point will significantly improve transformation performance by 70%.

1. Continue the transformation while deciding the course of action

Organisations that continued the transformation while deciding a course of action experienced greater turning point success (62% successful turning points versus 44% of unsuccessful turning points).

When there are signals that a turning point may be required, it may be tempting to press pause, especially when KPIs on the dashboard flash red. However, the research suggests this is not the best thing to do. Even though it may be clear that progress is going off track, it may not yet be clear what the causes are, let alone

the solutions. Continuing the transformation while agreeing the change in course allows leaders to sense more acutely for additional information, and to gather new data as the transformation continues.

Case Study example:

At Applied Materials, between the design and implementation of the programme, transformation leaders sensed a signal that there was a lack of clarity on how to proceed. Specifically, tensions had emerged around the design and implementation. As one frontline manager explained: *'We didn't really understand the end result. We knew what they were trying to do but we were just like: "This is taking forever. Is it going to work? If it's not going to work, we are wasting all of our time."'*

To workers and middle managers, the robotic process automation (RPA) process felt rushed. The in-house team felt ill-prepared for the handoff from consultants. They wanted more time to assess the processes. Transformation leaders acknowledged the discomfort, as part of their sense-making, but they kept going – understanding the root cause and getting actions in place to address the gaps, while keeping the momentum up.

2. Involve the collective workforce in deciding a course of action, not just leadership

Organisations that involved the full team in deciding the course of action were more successful in navigating the turning point (46% successful turning points versus 32% of unsuccessful turning points).

This principle is integral as it enables leaders to understand systemic issues. Successful transformations bring the entire system of the transformation together to gauge the issues at play and co-create the way forward. Comprehending the experience of others is inherently tricky, and even more so between corporate leaders and the frontline

workforce. This is why we advise bringing the entire team into the room – it allows for more dynamic listening for emotional and behaviour cues (the sensing stage).

This usually means convening the relevant leaders, members of the workforce and any external consultants, often in one physical location, with the aim of establishing a shared understanding of challenges and a sense of ownership about the outcome of the programme. Coming together to solve challenges strengthens teams and is likely to lead to a higher level of performance. Our case studies show that new ways of working, which embody the transformation, frequently come from these events.

Case Study example:

During Volvo's MMA transformation, old ways of working collided with the need for new ways of working. Teams were struggling to keep pace in a future where large transformation programmes would run simultaneously – in this case the MMA transformation at the factory level and an agile transformation at the corporate level of the organisation. Engineers and managers working on the MMA transformation wanted to be clear on deliverables and next steps before moving forward. However, the pace of the MMA transformation didn't afford them this luxury. To help ease the mounting anxiety and frustration of the workers, the factory transformation leader organised 'Kaizens' – meetings with MMA team members that focused on continuous improvement. These meetings allowed teams to share their challenges and co-develop solutions, as well as align on guidelines and principals, both of which improved collaboration among team members. The Kaizens identified an opportunity to restructure resources. A decision was taken to move responsibilities closer to where the information is, that is, from head office/global to the manufacturing plants/local. This went hand in hand with creating powerful local teams with the decision-making authority. By creating strong and competent teams focused around critical problem areas, the team was able to minimise the risk of moving forward without having clarity on all the details of the deliverables beforehand.

'And the funny part was that everyone saw the same thing' the factory transformation leader said. *'They really said, "yes we need to do something"'.* What the factory transformation leader and the others had realised was that to create a heavy-duty EV truck, the people working on it needed to be solely focused on this particular product and they needed to be close at hand.

Case Study example:

Rio Tinto established what it called lighthouses to test and improve. One transformation leader said: *Essentially, [the lighthouses] were a testing ground for the imperfect but that was as good as we could get it. When people used it, they had lots of ideas on how to improve it. So we captured the ideas on those defining best practices from each of the lighthouses and then we went from 60% to 80%. Then we deployed it to a few more and then went from 80% to 95%. It was continuous improvement.*

In parallel with sense-making, organisations are planning actions and taking actions to move forward on the issue. These are not sequential: sense-making and acting take place together and build a deeper understanding of the issue and how to work on it.

7 Acting

In this chapter we deep dive into the acting aspect of our dynamic model.

When a programme hits problems, as well as getting to the root cause quickly (sense-making), leaders also need to get to action quickly – testing and learning as they go. Their actions influence the conditions in which the work can be done to overcome the problem.
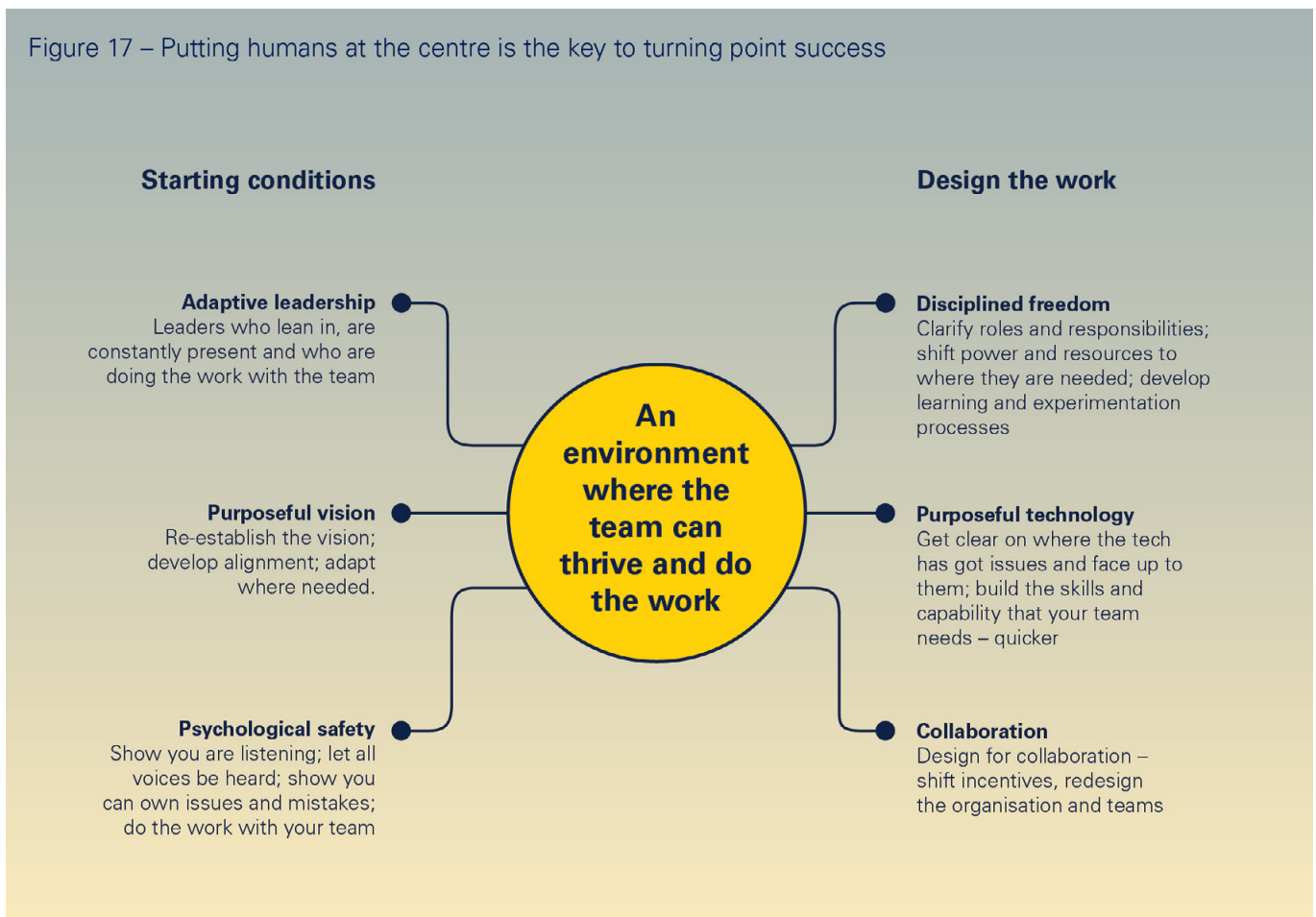
Whereas sense-making is cognitive, action is doing something. Leaders often make sense through action, which is why sense-making and acting are so tightly intertwined.

As we established in the first phase of our research in 2022, there are six conditions that set up a transformation for success. These create the environment conducive for the difficult work required – at pace – to overcome transformation programme challenges.

This phase of our research has shown that these conditions operate at both the macro and micro levels. At the macro level, they dictate the holistic set-up for the entire transformation programme. At the micro level, they are concerned with facilitating the right conditions to turn around a transformation in trouble.

Figure 17 summarises our findings. This chapter shows the key actions that can be taken to ensure transformation programmes are successful.

Figure 17 – Putting humans at the centre is the key to turning point success

Starting conditions

Adaptive leadership
Leaders who lean in, are constantly present and who are doing the work with the team

Purposeful vision
Re-establish the vision; develop alignment; adapt where needed.

Psychological safety
Show you are listening; let all voices be heard; show you can own issues and mistakes; do the work with your team

An environment where the team can thrive and do the work

Design the work

Disciplined freedom
Clarify roles and responsibilities; shift power and resources to where they are needed; develop learning and experimentation processes

Purposeful technology
Get clear on where the tech has got issues and face up to them; build the skills and capability that your team needs – quicker

Collaboration
Design for collaboration – shift incentives, redesign the organisation and teams

Setting the conditions for navigating a turning point

Adaptive leadership: Be willing to change

Adaptive leadership reflects the way that leaders lean in and work with the team. It is vital they continue to be physically, intellectually and emotionally present with the team, as they were during sense-making. They should be listening for changes in emotions and behaviours to determine whether actions already taken to navigate a turning point are working or whether more experimentation is needed.

Actions

• Create team alignment

In all the case studies with successful turning points, the leaders focused on fostering the right team dynamics. They defined goals both for the short term and the long term, and they got the right people into the team to solve issues and removed the wrong people. Further, they designed processes to support and reinforce collaboration.

Maintained strong alignment and commitment to the transformation

% who took the actions to a large or complete extent:

65% Successful turning points (1.6x increase in the likelihood of success)

40% Unsuccessful

• Be a creative problem-solver and bold decision-maker

Leaders of teams who navigated turning points successfully tended to approach challenges innovatively and made well-informed, forward-thinking choices with conviction. They made time to listen to the team and make sense of the problem together, even when the pressure to enact short-term solutions was high. Then they moulded a mindset to embrace the challenges, emphasising that there was opportunity in working

together to overcome adversity but without being falsely optimistic or bombastic.

Made timely and tough decisions under pressure

% who took the actions to a large or complete extent:

59% Successful turning points (1.9x increase in the likelihood of success)

31% Unsuccessful

'In the beginning there were parts [when] they were complaining: "Oh, but it was better before." Or: "This part was better before, why can't we go back to that?" Or: "This is really easy." And to be honest, I got caught up in that myself as well a little bit.' Senior manager, ANZ

Purposeful vision: Create a shared ideal for success

When challenges collide with the course of the programme, it often undermines people's belief in the long-term vision for the transformation. People may reject the future state vision as overly idealised while the messy reality of the organisation's day-to-day battles continue.

Actions

• Redefine a real and aspirational vision

Leaders need to bring people back on board with the vision in a way that shows they are listening to, and learning about, the current reality. They should acknowledge which elements of the future vision are not as strong as when originally conceived. They also need to remind the team of the necessary trade-offs required for the organisation to move forward.

For example, at ANZ, leaders had to move away from a heavily bespoke legacy technology stack, which could no longer be developed, onto a cloud-based architecture. The new system would initially not be as good as the bespoke system, but it had huge potential to grow and develop with the organisation in a way that the legacy structure could not. The team had to be reminded of that.

Collaborated with the workforce to make the transformation vision clearer or more compelling

% who took the actions to a large or complete extent:

62% Successful turning points (2.1x increase in the likelihood of success)

30% Unsuccessful

• Align the organisation to the delivery of the vision and end goal

This action requires honesty about whether the priorities of the organisation are aligned with the vision for the transformation programme. Be prepared for radical re-prioritisation, pausing or shutting down

projects, or other initiatives that are soaking up resources, to make capacity for the transformation to progress. Some long-held institutional beliefs may need to be dispelled as well. Leaders need to address legacy ways of working that are not helpful for the intent of the programme.

Adjusted organisational priorities to focus attention on achieving the transformation vision

% who took the actions to a large or complete extent:

62% Successful turning points (2.1x increase in the likelihood of success)

30% Unsuccessful

Psychological safety: Build a culture of trust

As issues disrupt the transformation programme, staff may feel that their voices are not heard or listened to early enough.

When an individual perceives that their opinion is not being considered, it reduces the psychological safety of the group. A loss of psychological safety can be defined as when an individual thinks: 'I do not feel safe with this group.' To get the programme back on track, there is an urgent need to rebuild psychological safety. People need to feel they can test and learn, trying different approaches, without reprimand for getting it wrong.

Actions

1. Deeply listen and understand

At the heart of successful transformation programmes is an environment where people are listening to each other – and making sense of what they are each communicating – in language and emotions. The act of deep listening requires attention on multiple levels. It requires leaders to be present – to be aware of what is really going on, to listen to their team, to observe how they are behaving, and then to make sense of how the leaders themselves feel about what they are listening to. We saw how this must be done for sense-making, but it must be continued when taking action to counter the issues causing the turning point.

Built a deep understanding of the emotional state of the workforce

% who took the actions to a large or complete extent:

55%
Successful turning points (2.0x increase in the likelihood of success)

28%
Unsuccessful

2. Foster trust

As leaders work on solving the issue causing the turning point, they also need to work on building a deeper sense of psychological safety. This means nurturing a culture of mutual trust. Leaders should encourage rapport amongst their managers and employees, not forgetting the younger and less experienced team members. They may want to initiate reverse mentoring or similar schemes. When well-intended experimentation fails, leaders must treat it as a learning event – backing their team and their good intentions.

Invested more time and resources into providing emotional support

% who took the actions to a large or complete extent:

57%
Successful turning points (2.0x increase in the likelihood of success)

28%
Unsuccessful

3. Embrace challenges

As leaders address the challenges that lead to a turning point, a growth-mindset culture is essential. This provides an environment that gives members autonomy and permission to experiment with their own solutions. Encourage them to take ownership of actions, to note the effects of their trial-and-error implementation and to embrace mistakes as valuable lessons.

Acknowledged the situation was challenging, but encouraged a growth mindset

% who took the actions to a large or complete extent:

61%
Successful turning points (1.9x increase in the likelihood of success)

32%
Unsuccessful

The three conditions of purposeful vision, adaptive leadership and psychological safety create the starting point for leaders to tackle the turning point. Leaders cannot take a 'done and dusted' approach. They must continuously reinforce the conditions with the team through the turning point and throughout the transformation.

The next three conditions support the ongoing work. They reflect what leaders need to do to get the team working together, on the right things, to navigate the turning point successfully.

Disciplined freedom: Curate a process that balances execution and exploration

As the programme hits challenges, it can highlight a lack of clarity about who should be deciding what, and who has the authority to make things happen. Leaders also need to pay attention to maintaining the culture of experimentation and learning. Leaders need several different approaches to overcome unanticipated issues. Not all will succeed, which is why leaders must maintain the cycle of testing and learning.

What is key here is a carefully formed, co-owned plan with definitions of roles and responsibilities, and processes to encourage experimentation.

Actions

1. Nurture an operating environment that supports experimentation and autonomy

Adjusted processes to encourage experimentation, innovation, and learning

% who took the actions to a large or complete extent:

59% Successful turning points (1.9x increase in the likelihood of success)

31% Unsuccessful

Leaders should push ownership as far down the organisation as they can to develop agency and autonomy in their teams. They should be vocal about encouraging trial and error and a proactive approach, making clear that it is all right to learn from mistakes. Further, they should encourage their teams to slow down and take smaller steps which they can learn from.

2. Clearly define roles and responsibilities

Delegated decision-making authority and clarified roles

% who took the actions to a large or complete extent:

59% Successful turning points (2.1x increase in the likelihood of success)

28% Unsuccessful

Projects necessarily work at a high pace during turning points. So it is important to be clear about who is pushing on what before the pace picks up. Programmes need clear, delegated authorities. Roles and responsibilities may change as power shifts from the vested interests of the status quo to the new teams bringing the future reality to life.

3. Spend time as a team clarifying plans

Adjusted processes to improve collaboration across key parts of the organisation

% who took the actions to a large or complete extent:

64% Successful turning points (2.2x increase in the likelihood of success)

30% Unsuccessful

In each successful turning point in our case studies, we saw the team taking an extended period to understand the issues, and then building a thorough plan to address them. These are often all-day, multi-day meetings or workshops with a wide representation of people from

all parts of the programme and different locations. The outcome of these meetings should produce concrete plans, and agreement on feedback mechanisms so the teams can test and learn from all actions.

Teams that form plans together as they face the challenges that lead to a turning point will develop a sense of shared ownership. This creates an effective environment for collaboration where all are clear on the plan and their interdependencies.
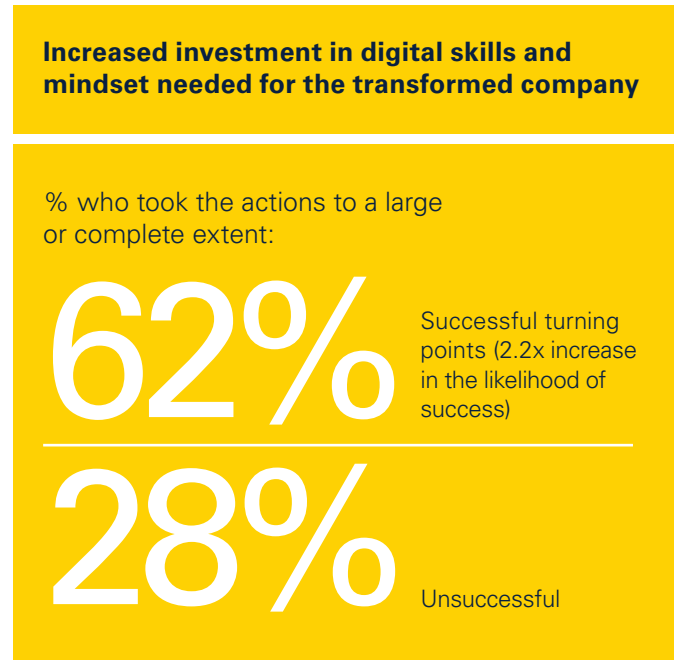
Purposeful technology: Build the capability to mobilise your team

Often the challenges that hit a transformation programme are linked to the technology being implemented or changed by the transformation itself. Significant skills and capability gaps become apparent. The constraints of new technology become clear, and teams realise that there are shortfalls to the software or process. There is also a greater understanding of the disparity between today's operations and the future aspiration, and often the realisation that the gap is larger than initially predicted.

Actions

1. Re-establish and communicate the purpose of the technology

Better aligned technology to transformation objectives

% who took the actions to a large or complete extent:

66%
Successful turning points (2.2x increase in the likelihood of success)

29%
Unsuccessful

As challenges mount, the new technology can become the frustration. In this case, it is useful for leaders to remind workers how the technology serves the overall vision. This may mean re-clarifying the intentional trade-offs that were designed for the good of the whole organisation.

For example, the functionality of a new system may not be as bespoke as a heavily customised legacy platform. But the organisation may need to move to a new tech stack to allow the system to evolve more easily. Leaders need to acknowledge this shortfall with the teams whose work could be negatively impacted by the limitations of the new technology. Leaders must listen to their team's concerns and must respond honestly, even if they cannot solve the issue immediately.

2. Identify the capabilities necessary for success of the programme

Increased investment in digital skills and mindset needed for the transformed company

% who took the actions to a large or complete extent:

62%
Successful turning points (2.2x increase in the likelihood of success)

28%
Unsuccessful

Leaders tend to underinvest in the skills required to sustain the programme. As inevitable challenges slow progress, gaps in capability are exposed. To navigate a turning point caused by underinvestment, leaders need to identify and address these shortfalls. In the short term, this may mean relying on external help through consultants. But for the long-term goal of a transformation to be realised, there needs to be investment in the workforce.

3. Encourage experimentation with the new technology

Deployed early examples of technology to show its potential value and bring the vision to life

% who took the actions to a large or complete extent:

58%
Successful turning points (2.0x increase in the likelihood of success)

29%
Unsuccessful

To prevent further frustrations with the new technology, leaders should engage teams with it quickly. Allow them to play with functionality and make clear they will help to shape its use. Roll out pilots and trials as quickly as possible. This helps leaders to gain a deeper understanding of its practical application and purpose, and to alleviate concerns within the team, such as fear of the unknown and anxiety about potential job cuts.

'I give them trust, I make them feel accountable for their deliverables and I also give them appreciation when they succeed. At least, I try, but of course I'm a human, and also give them support when they need support just because I've realised everyone wants to be seen and I think that's important, you need to see them and recognise them. That's how I see how you can keep them empowered and give them responsibilities that they might usually not have as well, that's also a sign that there is trust.' Manager, Volvo

Collaboration: Create a shared sense of ownership

Navigating a turning point requires rapid collaborative working, cutting through silos and boundaries within the organisation. This needs careful design and incentivisation. Too many programmes appear to leave the necessary collaboration to chance and goodwill.

In our case studies, we see well-intentioned teams working against a common goal as they focus on delivering their own goals, without realising that they are going against the work of another team. Effective collaboration requires deliberate design, shifting incentives, redesigning team structures and changing decision ownership.

Actions:

1. Create a sense of togetherness: 'we' not 'me'

Adjusted compensation and performance management to reward the behaviours needed in the transformed company

% who took the actions to a large or complete extent:

53%
Successful turning points (2.0x increase in the likelihood of success)

26%
Unsuccessful

Working truly collaboratively takes deliberate design. Incentives should be deliberately redesigned before the transformation programme reaches implementation or pilots. Leaders need to nurture a strong sense of unity across the organisation. This could mean creating common goals and a mood of determination, celebrating achievements collectively and cultivating a shared sense of ownership.

2. Deliberately design a shared sense of identity within the organisation

Adjusted our organisational structure to encourage collaboration across key parts of the organisation

% who took the actions to a large or complete extent:

61%
Successful turning points (2.0x increase in the likelihood of success)

30%
Unsuccessful

In addition to redesigning incentives and communicating the way in which they want the team to work, leaders need to consciously redesign the organisation for collaboration. This may require defining new processes, shifting accountabilities of leaders and teams, or bringing different parts of the operating model into common reporting lines.

For example, as organisations implement cloud-based technologies or automate processes with robotic process automation, they must also redefine the operating model between group technology and functions, such as finance and HR, or business divisions. At Applied Materials, leaders carried out design work to establish an effective operating model between the technology division and the finance function. Likewise at ANZ, leaders had to define the operating model between technology and HR as they implemented a cloud-based enterprise resource planning system.

*'Identified as a salient behaviour from our case studies. This was not a core component in the research.'

Continuously evolve the course of action; don't stick rigidly to the original plan*

Leaders of more than half of successful turning points continuously evolved the course of action during execution.

51%
Successful turning points

41%
Unsuccessful turning points

As transformation programmes work on issues that have caused the turning point, they build a deeper understanding of root cause as they take actions. Not all actions will work, and new actions will need to be tried. There is a contiguous loop of acting and sense-making: quick and constant course-correcting to get the transformation programme back on track. It is a dynamic process, which builds confidence and capability in the transformation team – and significantly increases the impact of the programme.

Avoid jumping to conclusions and taking multiple actions simultaneously to intervene

Turning points had greater success when leaders took actions sequentially (56% successful turning points versus 38% of unsuccessful turning points).

By their subjective nature, emotional and behavioural signals are unclear. As a result, the entire organisation should contribute to the sense-making. Leaders should not jump to conclusions and delegate a whole sequence of actions for a turning point intervention. Pulling too many levers at once makes it impossible to determine which ones made a difference. Taking actions sequentially allows more time for collective sense-making and facilitates organisational learning.

Conclusion

Perhaps this is what it means to be human

This research has shown us just how important reading, nurturing and acknowledging emotions are in leading transformation programmes. The heart of a successful transformation beats around creating and maintaining an environment where people can thrive, where they can experiment, learn and take ownership of the work needed to deliver transformation, and ultimately feel good about their effort.

Turning points are a natural part of how we navigate into the future. We cannot avoid them, but we can navigate them successfully. When leaders navigate turning points successfully, they can do more than bring things back on track, they can accelerate the programme and increase the value created by the whole transformation. Leaders who do not navigate turning points successfully, or who ignore them altogether, can potentially derail the whole programme. Put simply, turning points are a win or lose situation.

There are several concrete activities that leaders can do to navigate turning points in ways that lead to elevated impact from transformations. Below are six summary learnings from our research and data.

1. Anticipate challenges

The likelihood of not encountering a turning point in a transformation is roughly 4 in 100. Exogenous shocks, operating model issues and human system dynamics mean that organisations are far more likely than not to hit major challenges that will require a turning point. The key lesson here is to plan effectively for the transformation, but also to be ready to anticipate and embrace turning points as a natural part of the process – and change the plan where needed.

This requires an early warning system that uses key behavioural indicators (KBIs) to understand in near real time the state of emotional energy of the people involved. This system should use leading rather than lagging indicators. Relying solely on key performance indicators (KPIs) may result in identifying a problem too late. KBIs, however, enable leaders to understand where a team's energy is on a scale of 'high to low' and 'with or against' the transformation programme.

This point is centred on developing organisation-wide awareness and collective language to describe emotional states. It also requires leaders who are prepared to have honest conversations about what people are feeling. These conversations, when held with the intention to move forward, can enable a positive change in emotional state and the boosting of energy levels.

2. Listen to the organisation

Listening sounds easy, but to develop an organisation where people feel listened to is anything but easy. It requires leaders to build high-trust relationships, long before problems occur. This facilitates a good flow of information.

Across large organisations, leaders need data from multiple sources to understand what is happening. However, data alone do not tell the whole story. Our evidence suggests that leaders must be physically and emotionally present. This means spending time with the team who are at the frontline of the transformation implantation, as well as with those affected by the programme. It also requires leaders to engage proactively with the workforce by listening to what is said and not said. Often what is not said can lead to the most powerful insights.

3. Leaders could be the reason that issues are not raised

Subconsciously, most leaders suppress the free flow of communication about challenges or issues. We

consider addressing this to be the most important factor of all. Leaders who are present – emotionally and physically – know how to listen to what is said and not said, and recognise they are in service to the middle managers and the workforce who are trying to achieve the transformation vision.

There needs to be a new archetype of leadership that counters some of the outdated authoritarian beliefs we have inherited from the 20th century.

The next three points develop this perspective further.

4. Constantly shape the environment so people can thrive

Several of the case studies experience what we can describe as something akin to a 'social movement'. This is where the locus of power and control for future transformation moves from a few at the top of the hierarchy, to many at the base. We saw two shining examples, one where the workforce felt a true sense of ownership over the strategy of future technology for green transport; and another where they shared the benefits of robotic process automation across the organisation.

This is a profound shift in how the roles of leaders and the workforce are understood and shows how leaders can release a level of energy and motivation that has to be seen to be believed.

5. Co-create and jointly problem solve

The main enabler of the shift described above is getting the team and anyone involved in the whole system together in the same room, empowering them to address the problems at the heart of the turning point. And then staying with them to test and learn together, with fast feedback loops.

Specifically, this means designing and using experiments to understand how the envisioned transformed state will work in practice. Our evidence showed three specific ways in which companies are doing this.

1. Removing targets that are based on how the status quo performs, and instead, giving workers space to experiment and work with 'best intentions' as their target [Volvo].

2. Putting more than one potential solution in place and seeing how the solutions perform in practice, and with what impact [Lulu].

3. Giving permission to implement solutions that are only partially complete, so the workforce can use the insights they gain from their use to complete them. [Rio Tinto]

6. Think adoption, not go-live or day one

Many transformational project plans end when technology is implemented or when people have been transferred to the new organisation design to support the new operating model. The supplier's contract comes to an end, the project management office is wound up and senior leaders step back and move on to other activities assuming their work is done. In many ways, it is only the beginning. This is when the real work starts of ensuring the transformation programme becomes the new normal. We've seen many programmes came to the end, only to find that adoption of the new ways of working didn't remain. Organisations can slip back into what they are comfortable with, and the old power structures can restore their dominance. Including adoption in the plan can increase the timescales from months to even years. However, this shift in perspective can change leadership behaviours. It is this shift that leads to higher levels of success.

Whereas our initial research surfaced insights about leadership capability, our current research measures leadership awareness in understanding the process of transformation. The capabilities we identified initially are not separate from what we have found in the second part of our research. Rather, the capabilities are intrinsically linked with how leaders successfully deliver transformation projects.

7. Remember that transformation is all about people and their full selves

In 2021 Henry Kissinger and co-authors[8] wrote an article on artificial intelligence which was published in the Wall Street Journal. In it, they pose the question: 'For 300 years, the Age of Reason has been guided by the maxim "I think, therefore I am." But if AI "thinks", what are we?'

We would posit that the answer lies in reframing the original statement to be: 'I think and feel and therefore I am.' This is a particularly relevant addition in the age of AI. What differentiates humans from the ability of generative AI is our full selves – our ability to experience things and emotional responses. Within those emotional responses are deep learnings and potential for huge accelerations in progress. This is what leaders need to tune and tap into. At the heart of a successful transformation are people working to do something that has not been done before, together.

Perhaps this is what it means to be human.

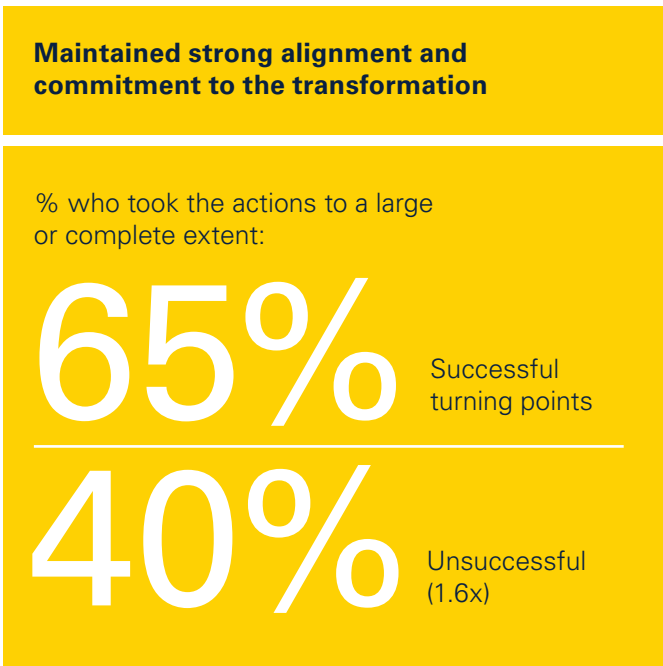Figure 18 – Awareness and capability; integrating phase one and phase two

Awareness of process

High

Turning points become a roadblock – stopping the progress of a transformation and leading a high degree of cynicism and lack of trust in the leadership.

Turning points are navigated with ease, with minimum negative impact and maximum positive impact.

Turning points become a roadblock – stopping a transformation in its tracks, significantly reducing its impact and having a very negative impact on the emotions of the FLM and WF.

Turning points are navigated successfully, at an emotional cost to FLM and WF but with positive impact.

Low

Low   **Leadership capability**   High

Appendix

Adaptive leadership

Action
Create team alignment

Maintained strong alignment and commitment to the transformation

% who took the actions to a large or complete extent:

65%
Successful turning points

40%
Unsuccessful (1.6x)

Description
Teams perform most effectively when they tackle challenges together, provided that they are well guided by leaders who are with them and who are focused on higher-order goals rather than self-preservation.
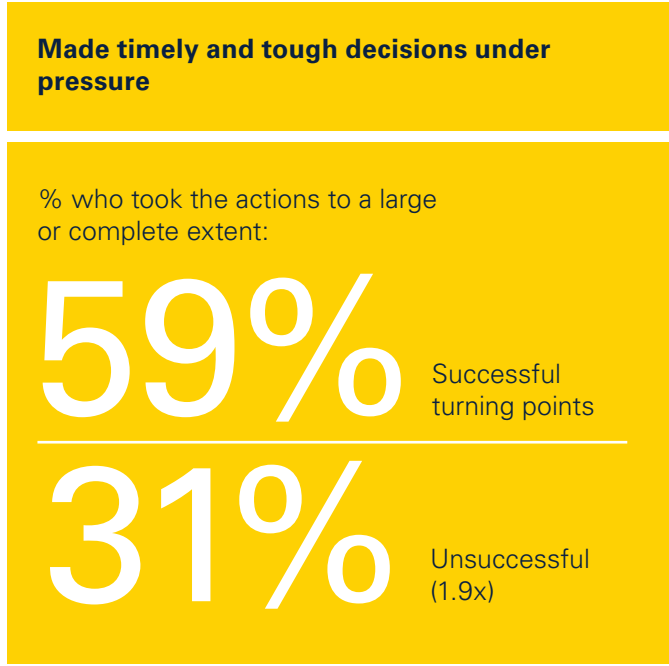
In the turning points of all the successful case studies, the leaders focused on fostering the right team dynamics. They defined team goals both for the short term and the long term, and they got the right people into the team to solve issues and the wrong people out. Further, they designed processes to support and reinforce collaboration.

Case study quote
'We did a series of engagement leadership to create a common narrative across the leadership team to say: "This is still our programme."' Transformation leader, ANZ

Action
Be a creative problem-solver and bold decision-maker

Made timely and tough decisions under pressure

% who took the actions to a large or complete extent:

59%
Successful turning points

31%
Unsuccessful (1.9x)

Description
Leaders of teams who navigated successfully turning points tended to approach challenges innovatively and made well-informed, forward-thinking choices with conviction. They made time to listen to the team and make sense of the problem together, even when the pressure was high to enact short-term solutions. They moulded the mindset to embrace the challenges, demonstrating to the team that there is opportunity in working together to overcome adversity, but without being falsely optimistic or bombastic.

Case study quotes
'You've got to have someone who sets the impossible.' Transformation Leader, Lulu Group

'The transformation leader listened when he got the feedback that we needed to [share] – that things were going off the rails. He was passionate about hearing the feedback and taking action on it.' Frontline manager, Applied Materials

'One of the most critical capabilities or attributes that you need to be able to handle if you get a live

programme of this scale is also having massive courage in your convictions. There were various decisions that had to be made at various points in the programme and I understand that no one's going to be happy but also, they were able to balance out that risk.' Business stakeholder, ANZ

Purposeful vision

Action
Redefine a real and aspirational vision

Collaborated with the workforce to make the transformation vision clearer or more compelling

% who took the actions to a large or complete extent:

62%
Successful turning points

30%
Unsuccessful (2.1x)

Description
Leaders must address any diminishing belief in the vision quickly. In our case studies, we see how leaders brought people together, across their system, and refreshed the vision together. Often, they went back to the original vision and re-established it with the voices of all. This act of co-creation reinstates a sense of ownership and refreshes energy.

Agency is important for the team. Allowing them to explore the 'why' of the transformation programme as it is shifting and changing is a foundational step in group dynamics and addressing the challenges together.

Case study quotes
'I believe that every person sitting in this room, they have a part to play. Because once the vision is set down, everybody has a different role. I have a different role. They have a different role. Staff have a different role. Everybody has a different role. So what we do is we all have our aims and ambitions, and we all work together to achieve the common goal.' Manager, Lulu

''This is so much a human story and that's why I was intrigued by your research because this is about unlocking human potential. I'm not talking about the RPA side. I'm just talking about the transformation side. It's about unlocking people's aspirations to do more and to contribute in a better way, and to have greater impact in their professional lives.' Senior manager, Applied Materials

'I think it's a lot about building this stuff. This is like we're going to be the first in the world. This is new, this is the future, you're part of it.' Senior manager, Volvo

Action
Align the organisation to the delivery of the vision and end goal

Adjusted organisational priorities to focus attention on achieving the transformation vision

% who took the actions to a large or complete extent:

62%
Successful turning points

30%
Unsuccessful (2.1x)

Description
This action requires honesty about whether the priorities of the organisation are aligned with the vision for the transformation programme. Be prepared for radical re-prioritisation, pausing or shutting down projects, or other initiatives that are soaking up resources to make capacity for the progress of the transformation. Some long-held institutional beliefs may need to be dispelled as well. Leaders need to address legacy ways of working that are not helpful for the intent of the programme.

Case study quotes
'Better communication, more explanation as to what is happening and why is important. I think really what made a difference was when it went from a high-level strategic discussion to a specific example of: "This is your automation. You own its success; you own its failure."' Senior manager, Applied Materials

'[We engaged in] a lot of communication, a lot of head-to-head. You know, people actually physically getting in front of people, having group meetings, really trying to explain to them that we're not taking your job away, we're trying to release you to do more value-added work for the company. It would have been nice if we'd done that at the beginning. But it was kept to the exec level. ' Senior manager, Applied Materials

Psychological safety

Action
Deeply listen and understand

Built a deep understanding of the emotional state of the workforce

% who took the actions to a large or complete extent:

55%
Successful turning points

28%
Unsuccessful (2.0x)

Description
The early warning is the emotion and behaviour of the workforce. Leaders are getting constant signals about how their people are feeling and how they are acting. At the heart successful transformation programmes is an environment where people are listening to each other, and making sense of what they are each communicating – in language, emotions and feelings. The act of deep listening requires attention on multiple levels. It requires leaders to be present to what is really going on, to listen to their team, to carefully observe how they are behaving, and then to make sense of how the leaders themselves are feeling about what they are listening to.

Case study quotes
'You need to listen to people and when they're telling you you're doing too much way too fast, you're going to burn people out. And if you burn people out, people stop giving you their 100%.' Frontline manager, Applied Materials

'You really sometimes only hear about what's going on if you spend time in the right way with the teams that are doing the work.' Senior manager, ANZ

'The way to do it, from my own experience, is first you listen to them and then you agree with them what would need to be done differently. You commit and you deliver. Then you do that several times and eventually, when people see that there is genuine interest, they are empowered to choose solutions to their problem, they get the support that they need and that support is predictable, and then you build more and more trust and that trust helps create a better work environment … and a psychologically safer work environment.' Transformation leader, Rio Tinto
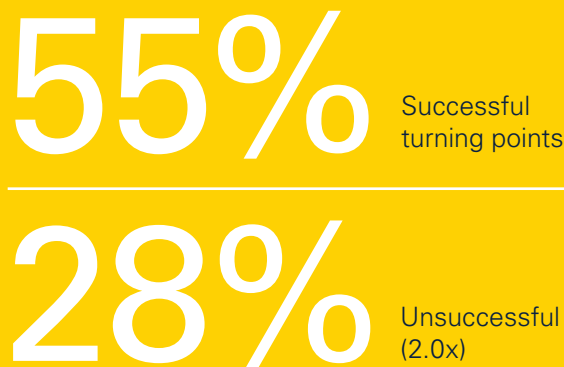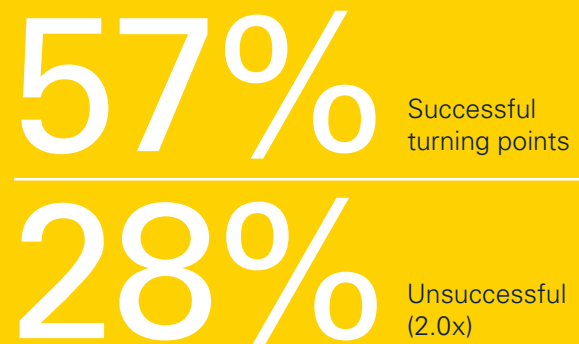
Action
Foster trust

Invested more time and resources into providing emotional support

% who took the actions to a large or complete extent:

57%
Successful turning points

28%
Unsuccessful (2.0x)

Description
As leaders work on solving the issue that caused the turning point, they also need to work on building a deeper sense of psychological safety as soon as possible. Leaders need to bring their team members together and encourage them to try different approaches and learn as they go. Experimentation without fear of failure makes teams feel safe and engenders trust.

There has to be a culture of mutual trust. Leaders should encourage rapport with and among their managers and employees, including the younger and less experienced team members. Leaders may want to initiate reverse mentoring or similar schemes. When well-intended experimentation fails, leaders must treat it as a learning event – backing their team and their good intentions.

Case study quotes

'I give them trust, I make them feel accountable for their deliverables and I also give them appreciation when they succeed … and also give them support when they need support, just because I've realised everyone wants to be seen and I think that's important: you need to see them and recognise them. That's how I see how you can keep them empowered and give them responsibilities that they might usually not have as well. That's also a sign that there is trust.' Manager, Volvo

'I think the support is everything, I think it's from the management, your team, the projects that you are doing.' Frontline worker, Applied Materials

'We have the freedom to message the chairman himself. We are very free. In other organisations you can't, you report to your boss. Here we have the direct opportunity to meet him. He comes and talks to us. We can be open. If you want to make some change, you can directly report to the owner himself.' Frontline manager, Lulu Group

'Ask the right questions because when people are perceived as whining, you have to ask: 'Can you build it?'[Ask] more precise questions if they cannot express them themselves. So not only listen, ask questions.' Senior manager, Volvo

Action
Embrace challenges

Acknowledged the situation was challenging, but encouraged a growth mindset

% who took the actions to a large or complete extent:

61% Successful turning points
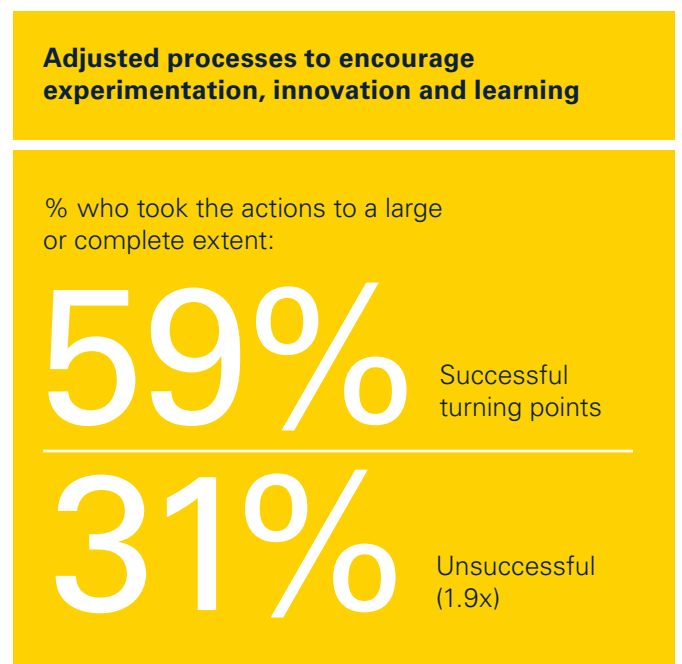
32% Unsuccessful (1.9x)

Description
As leaders address the challenges that lead to a turning point, a growth-mindset culture is essential. This provides an environment that gives members autonomy, and more encouragement to experiment with solutions. Encourage them to take ownership

of actions, to note the effects of their trial-and-error implementation and to embrace mistakes as valuable learning opportunities

Case study quotes

'[Our transformation leader] says we can try new things here. We are not being held up. If you can put up an idea, we can experiment on that. That's the freedom we have in this.' Frontline manager, Lulu Group

'I like to have an arm's length management structure above me. I don't like to be micromanaged and my boss knows that. And he's quite happy to let me go. So he basically said: 'Here you go, go run with it.' And I was OK with that. If I needed help, I would just do that and I'd get it. So I was comfortable with it.'– Senior manager, Applied Materials

'The team couldn't get resolution, and they were coming to me and at one point it was: 'We just need your help.' And that was it. That was like: 'OK, I need to help the team.' I needed to go deep and unpick the issues to help. And I didn't necessarily have the answers, mind you. Nor did I know necessarily where to go to get the answers that I needed. [But at least they] felt that someone was listening to their issues.' Senior manager, ANZ

Disciplined freedom

Action
Nurture an operating environment that supports experimentation and autonomy

Adjusted processes to encourage experimentation, innovation and learning

% who took the actions to a large or complete extent:

59% Successful turning points

31% Unsuccessful (1.9x)

Description
Leaders should push ownership as far down the organisation as they can to develop agency and autonomy in their teams. They should be vocal about encouraging trial and error and a proactive approach,

making clear that it is all right to learn from mistakes. Furthermore, they should encourage their teams to slow down and take smaller steps, which they can learn from.

Case study quotes

'I was a little surprised at how much of the upfront education and discussions to lay the foundation, how little an impact that had. It was really once they're building the bot and personally experiencing the successes and failures before it clicked.' Senior manager, Applied Materials

'This is an opportunity for us to learn and develop. You try something, and it does not work. OK, then we learn something from that. No blame game or anything. We will try it again.' Senior manager, Volvo

'[Lulu's approach is] let's get to where we know that we can get to on this project, learn everything we can learn from it. Then when we design our next shop, we'll design it in a better way. And next time, we still might not get there, we might get here. Of course, the goalposts will move a little bit as well. But we've got the gutsiness and the agility to say we're just going to crack on and do it to the best of what we know we can do at the moment.' Transformation leader, Lulu Group

Action
Clearly define roles and responsibilities

Delegated decision-making authority and clarified roles

% who took the actions to a large or complete extent:

59% Successful turning points

28% Unsuccessful (2.1x)

Description
Projects necessarily work at a high pace during turning points. So it is important to be clear about who is pushing on what before the pace picks up. Programmes need clear, delegated authorities. Roles and responsibilities may change as power shifts from the vested interests of the status quo, into the new teams bringing the future reality to life.

Case study quote

'[The 200-page document] by which the programme runs, identifying all of the roles and responsibilities of each member of the team, of the programme, how we are going to work and how we work today. From projects, to deliverables, to production support, to infrastructure to our charge out model, everything was clearly identified'. Frontline worker, Applied Materials

Action
Spend time as a team clarifying plans

Adjusted processes to improve collaboration across key parts of the organisation

% who took the actions to a large or complete extent:

64% Successful turning points

30% Unsuccessful (2.2x)

Description
In our case studies, in each successful turning point, we saw the team taking an extended period to understand the issues and then build a thorough plan to address them. These are often all-day, multi-day meetings or workshops with a wide representation of people from all parts of the programme from different locations. The outcome of these meetings should produce concrete plans, and agreement on feedback mechanisms so the teams can test and learn from all actions. Teams that form plans together as they face the challenges that lead to a turning point develop a sense of shared ownership. It creates an effective environment for collaboration where all are clear on the plan and their interdependencies.
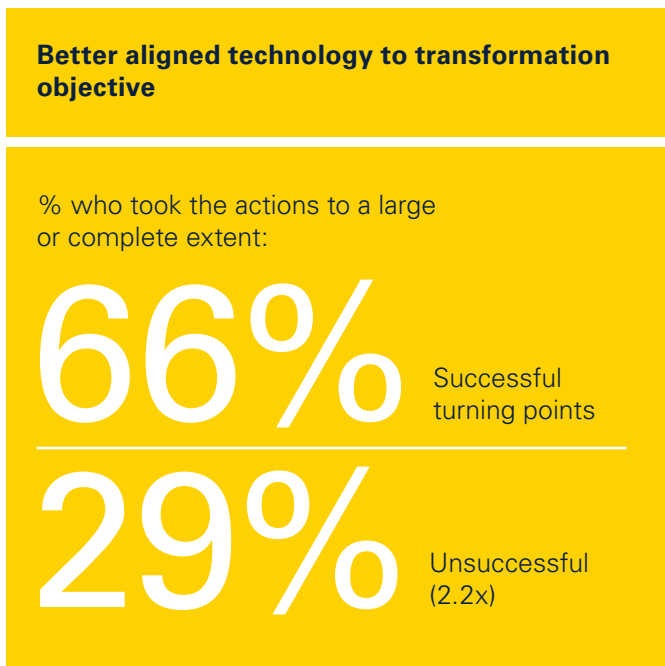
Case study quotes

'You normally have two days. You go in this room and don't come out before you have solved it. When everyone is leaving that workshop and have the same picture, then perhaps it's a turning point. Everyone is: "OK now this [is what] we are going for."' Frontline manager, Volvo

'We brought a consultancy partner on board. We mapped out the entire company organisation structure and finance organisation structure to them. Then we started discussing what activities take place and what group and what location. Then we started building a structure around how can we reach out to these groups and explain to them what we're trying to do with automation.' Senior manager, Applied Materials

Purposeful technology

Action
Re-establish and communicate the purpose of the technology

Better aligned technology to transformation objective

% who took the actions to a large or complete extent:

66%
Successful turning points

29%
Unsuccessful (2.2x)

Description
As part of a transformation process, new technology is implemented to service the transformation vision.

As challenges mount, the new technology can become the frustration. In this sort of turning point, it is useful for leaders to remind workers how the technology serves the overall vision. This may mean re-clarifying the intentional trade-offs that were designed for the good of the whole organisation.

For example, the functionality of a new system may not be as bespoke as a heavily customised legacy platform. But the organisation may need to move to a new tech stack to allow the system to evolve more easily. Leaders need to acknowledge this shortfall with the teams whose work could be negatively affected by the limitations of the new technology. Leaders need to listen to their concerns and respond authentically, even if they cannot solve the issue immediately.
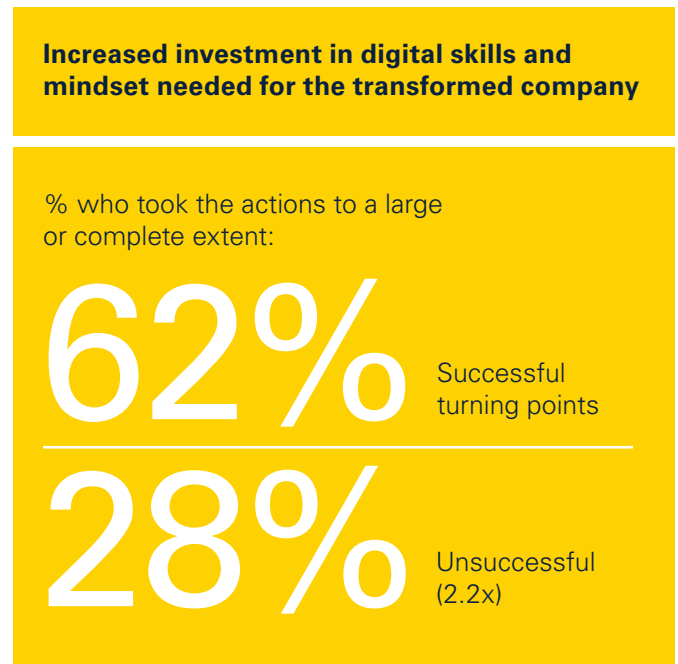
Case study quotes
'The early warning system is in my mind. Step one is really understanding what the technology can do. And then assessing what part of your process landscape is suited for RPA [robotic process automation]. Not just going to the outside, these firms who are in the business of RPAing anything. That's a fundamental assessment that needs to be done.' Senior manager, Applied Materials

'When you take the system out of the box, its way of doing everything is its way and you need to adopt that into your environment, not make changes to processes or configuration to make it like something that was before. You just have to take it out of the box and use it and go: "OK. That's the way the system does it. How can we change the way we think and work to use that system in our environment?" Not think: "We're going to change the system to do it our way."' Senior manager, ANZ

Action
Identify the capabilities necessary for success of the programme

Increased investment in digital skills and mindset needed for the transformed company

% who took the actions to a large or complete extent:

62%
Successful turning points

28%
Unsuccessful (2.2x)

Description
Leaders tend to underinvest in the skills required to sustain the programme. As inevitable challenges slow progress, capability gaps are exposed. To navigate a turning point like this, leaders need to identify and address these shortfalls. In the short term, this may mean relying on external help through consultants. But for the long-term goal of a transformation to be realised, there needs to be investment in the workforce.
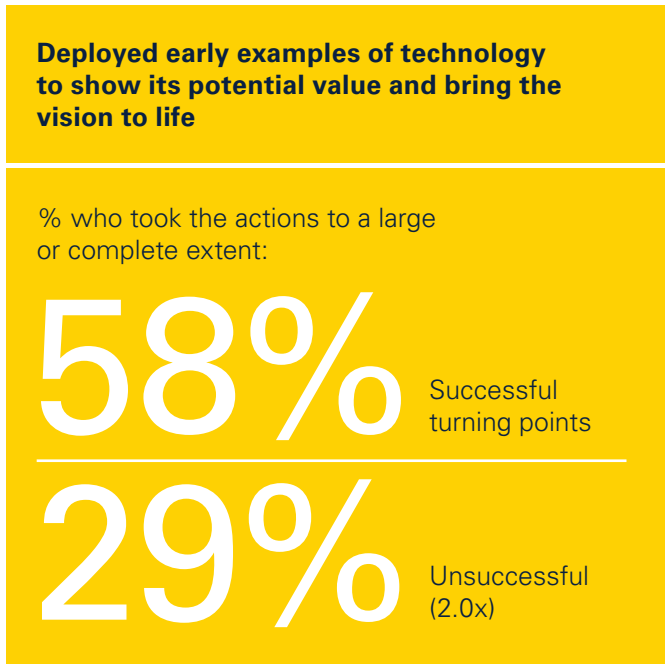
Case study quote
'The transition [from service providers to in-house teams] didn't go as well as it could. [But] I think it really

helped build a stronger, more long-term relationship between business and IT. It [became] more co-ownership. It's not anyone's baby, it's all of our baby and we all care for it. And that really is needed to keep going through the tough times.' Frontline manager, Applied Materials

Action
Encourage experimentation with the new technology

Deployed early examples of technology to show its potential value and bring the vision to life

% who took the actions to a large or complete extent:

58%
Successful turning points

29%
Unsuccessful (2.0x)

Description
To prevent further frustration with the new technology, engage teams with it quickly. Allow them to play with functionality and make clear they will help to shape its use. Roll out pilots and trials as quickly as possible. This helps leaders to gain a deeper understanding of its practical application and purpose, and to alleviate concerns within the team, such as fear of the unknown and anxiety about potential job cuts.
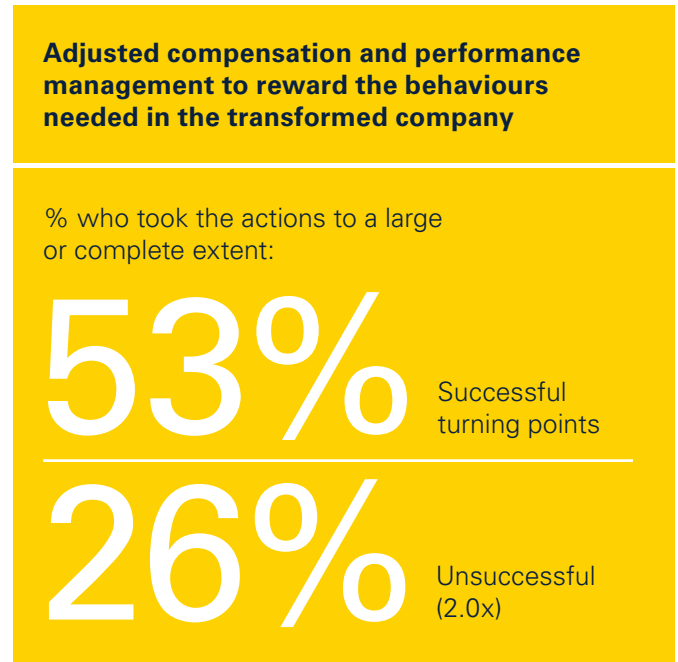
Case study quotes
'If you just give the teams the tools or some direction to solve it within themselves, they'll actually be able to do it and you'll get a better outcome than if the two people at the top are trying to solve it.' Senior manager, ANZ

'Originally, we were just told it was automated. "Well, if we automate it then I no longer have to do that. No longer my problem."'"However, when something failed it was still your problem. It helped us in some ways to make sure it worked, because it only benefited us, because we owned it. When they clarified the ownership, it really helped me embrace it more and understand it.' Frontline manager, Applied Materials

Collaboration

Action
Create a sense of togetherness: 'we' not 'me'

Adjusted compensation and performance management to reward the behaviours needed in the transformed company

% who took the actions to a large or complete extent:

53%
Successful turning points

26%
Unsuccessful (2.0x)

Description
Working truly collaboratively takes deliberate design. Leaders need to set goals at a level that requires teams to work together. Incentives should be deliberately redesigned before the transformation programme reaches implementation or pilots. Leaders need to nurture a strong sense of unity across the organisation. This involves creating common goals and a mood of determination, celebrating achievements collectively, and cultivating a shared sense of ownership.

Case study quote
'We put the GoPro on the chassis. We have a really skilled communications director … then we made a really powerful video showing that we are the ones doing it, we are first in the world, we are doing it as a team, and we are making a difference and so on. That movie, when you see that, you really get a "Wow, yes, fantastic".' Senior manager, Volvo GTO

Action
Deliberately design a shared sense of identity within the organisation

Adjusted our organisational structure to encourage collaboration across key parts of the organisation

% who took the actions to a large or complete extent:

61%
Successful
turning points

30%
Unsuccessful
(2.0x)

Description
In addition to redesigning incentives and communicating the way they want the team to work, leaders need to consciously redesign the organisation for collaboration. This may require defining new processes, shifting accountabilities of leaders and teams, or bringing different parts of the operating model into common reporting lines.

For example, as organisations implement cloud-based technologies or automate processes with RPA, they must also redefine the operating model between group technology and functions, such as finance and HR, or business divisions. At Applied Materials, leaders carried out design work to establish an effective operating model between the technology division and the finance function. Likewise at ANZ, leaders had to define the operating model between technology and HR as they implemented a cloud-based ERP (enterprise resource planning) system.

Case study quote
'I think that was a very collaborative effort that people were problem solving and not blame fixing. That has reinforced the defined roles and responsibilities and everyone knows how to operate together now that finance can't be successful without IT; IT can't be successful without the right level of engagement from the users.' Senior manager, Applied Materials

'There was an early foundation established and then I think through the development, the deployment, the stabilisation that it reinforced some of those roles and that co-dependency or interdependency across the functions, and reached a pretty good equilibrium.' Senior manager, Applied Materials

Contributors

Saïd Business School, University of Oxford

Andrew White
Senior Fellow in Management Practice

Michael Smets
Professor of Management

David Tullett
Associate Fellow

Stephanie Nickerson
Editorial Consultant

Mark Vice
Senior Designer

EY Organisation

Adam Canwell
EY People Advisory Services, Oceania Workforce
Advisory Leader

Craig Glindemann
EY Global Consulting Markets Leader

Kim Billeter
EY Global People Consulting Leader

Paul Meijer
EY Oceania Partner, People Consulting

AnnMarie Pino
Associate Director, Ernst & Young LLP

Ron Rubinstein
Director, Ernst & Young LLP

Michael Wheelock
Associate Director, Ernst & Young LLP

Randy Beck
Global and Americas Organization
and People Field of Play Leader

Patrick James
EY EMEIA Head of Business Transformation
& Innovation Field of Play

Acknowledgements

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Case Study participants were drawn from 5 global enterprises with annual revenues exceeding US$1 billion, each having undergone major transformation programmes. The research methodology involved interviews with leadership and focus groups with middle management and the workforce.