People & Organizational Performance Practice

Change is changing: How to meet the challenge of radical reinvention

The core task of leadership is managing change—seeing new realities and driving adaptation. To reinvent the organization, leaders must rethink traditional tools and master a more complex level of change.

This article is a collaborative effort by Aaron De Smet, Arne Gast, Erik Mandersloot, and Richard Steele, with Carmen James, representing views from McKinsey's People & Organizational Performance Practice.
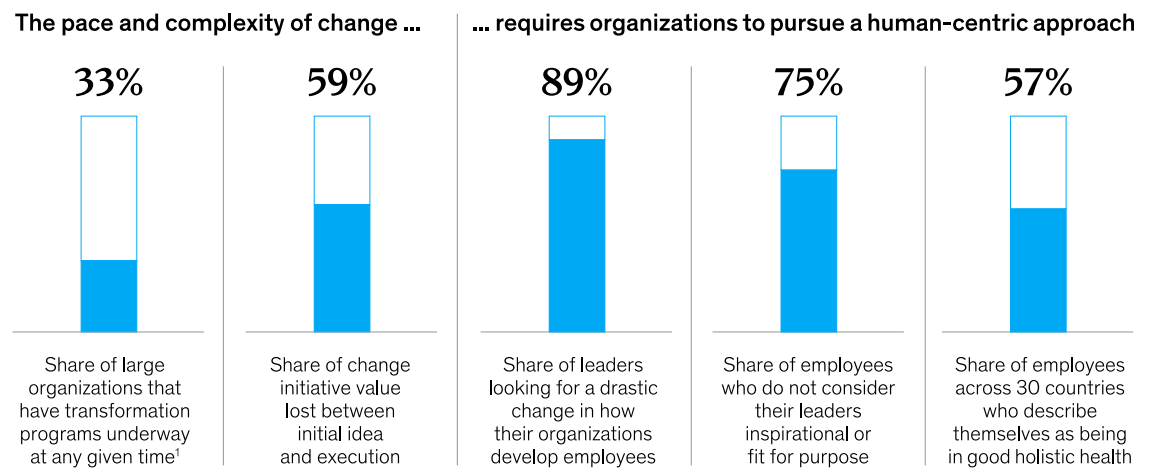
People are exhausted. From senior leaders to frontline workers, employees are feeling tired and even burned out from too much change. Many are uncertain about what the future will bring.

When change becomes "everything, everywhere, all at once," it's not surprising that employees feel worn out. The average employee now experiences ten planned change programs a year, a fivefold increase from a decade ago.[1] At the same time, engagement and health measures have fallen, support for change programs has dropped, and employee disconnect with leaders has grown (Exhibit 1).

Exhibit 1

Change is accelerating, with real business and human consequences.

The pace and complexity of change ...		... requires organizations to pursue a human-centric approach		
33%	**59%**	**89%**	**75%**	**57%**
Share of large organizations that have transformation programs underway at any given time[1]	Share of change initiative value lost between initial idea and execution	Share of leaders looking for a drastic change in how their organizations develop employees	Share of employees who do not consider their leaders inspirational or fit for purpose	Share of employees across 30 countries who describe themselves as being in good holistic health

[1]"Transformations that work," *Harvard Business Review*, May–June 2024.
Source: McKinsey research

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But the pace of change is not going to slow down; in fact, it is likely to accelerate. Driven by geopolitical, societal, technological, and financial shifts, the changes hitting most companies today are far reaching, often creating ripple effects that bring even more change.

Despite all the disruption, leaders should be aware that this is not a story of doom: The world that is emerging is ripe with opportunities for high growth and dynamism. Indeed, two winners of

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[1] Cian Ó Móráin and Peter Aykens, "Employees are losing patience with change initiatives," *Harvard Business Review*, May 9, 2023.

the 2025 Nobel Prize in economics were recognized for their "theory of sustained growth through creative destruction,"[2] showing that reinvention is essential to growth and prosperity.

The problem is that the tool kit for managing change is outdated. Organizations and their leaders need new tools, skills, and methods to navigate multiple transformations at once—to make change a source of energy, or "sustainably exothermic," as one CEO put it. On top of that, they need to learn how to manage a new and more unsettling form of change: reinvention. Reinvention goes beyond adapting processes or structures, challenging the very identity of the company. It requires rethinking how organizations create value and who they are at their core.

In this article, we discuss how leaders can be more effective at three traditional levels of change management and think through the newly emerging fourth level of reinvention change. The challenge for leaders is to match the right change method to each part of their change portfolio, spending organizational energy and resources where they are needed most.

Four levels of change

The first step for leaders is to understand that not all changes are created equal. Some types are easier and more traditional to manage, while reinvention change is far harder and more disruptive.

As the need for reinvention grows, organizations must first focus on three traditional levels of change management. Execution (C1) focuses on stakeholder compliance—adopting new procedures, processes, or tools. Mobilizing (C2) prepares employees for broader shifts that require new behaviors and ways of working. Transformation (C3) goes further, improving performance and organizational health by embedding new management practices that change the way the place is run. These three levels follow a familiar arc, with a defined beginning, middle, and end state.

Because each level fully incorporates and builds on prior levels, augmenting overall performance and health, leaders can't simply jump to reinvention change (Exhibit 2).

Our work with organizations across industries and geographies indicates that there is a huge performance opportunity when leaders get better at each level of change. While the old mantra held that 70 percent of change programs fail, well-informed leaders are able to flip the odds to reach 70 to 80 percent success rates.
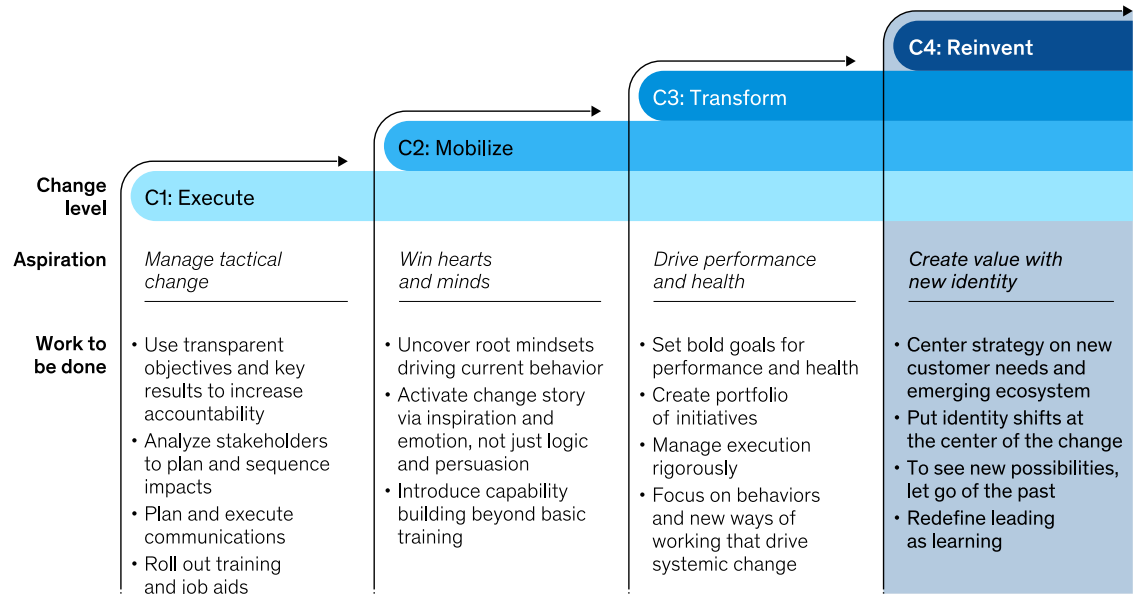
C1: Execute
The first change level, execute, involves managing tactical change, for which employee compliance is sufficient. Typically, there are multiple, and often hundreds, of execution efforts underway at a large company. A quintessential example is upgrading a basic sales or budgeting tool. This type of change is often perceived as straightforward, yet it still requires defining the change clearly, having empathy for the user through stakeholder engagement, and using

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[2] "From stagnation to sustained growth," The Prize in Economic Sciences 2025, The Royal Swedish Academy of Sciences.

Exhibit 2

Reinvention is the next frontier of change.

Each change level must fully incorporate and build on prior levels

	C1: Execute	**C2: Mobilize**	**C3: Transform**	**C4: Reinvent**
Aspiration	*Manage tactical change*	*Win hearts and minds*	*Drive performance and health*	*Create value with new identity*
Work to be done	• Use transparent objectives and key results to increase accountability • Analyze stakeholders to plan and sequence impacts • Plan and execute communications • Roll out training and job aids	• Uncover root mindsets driving current behavior • Activate change story via inspiration and emotion, not just logic and persuasion • Introduce capability building beyond basic training	• Set bold goals for performance and health • Create portfolio of initiatives • Manage execution rigorously • Focus on behaviors and new ways of working that drive systemic change	• Center strategy on new customer needs and emerging ecosystem • Put identity shifts at the center of the change • To see new possibilities, let go of the past • Redefine leading as learning

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disciplined project management and communication. Change management tends to focus on job aids and training.

When assessing a portfolio of change initiatives, it is striking how few C1 initiatives have clear outcome-based goals. Instead, we find that leaders get reports on activity-based plans that show progress but rarely on the business results that must be achieved.

When leaders set a new bar and scrutinize planned outcomes, they can uncover countless initiatives that can be ended or deferred to reduce the change burden and channel resources to more important priorities. Leaders at one Dow 50 company recently took stock of their portfolio and found that fewer than 20 percent of initiatives had meaningful outcomes that could be rigorously tracked.

In another example, when a chief human resources officer at a top financial institution asked her staff to identify key functional initiatives, she was presented with over 130. After assessing outcomes, the team eliminated optional updates, busy work, and nonessential initiatives, so only

six initiatives made the initial cut. Ultimately, a single clear outcome—a new performance management system that would better align rewards and results—was prioritized as the focus for the global function's change portfolio.

C2: Mobilize
The second change level, mobilize, requires winning hearts and minds at scale. This has always been hard, but it is getting more important as employee fatigue increases. Leaders must therefore build commitment, not just compliance.

Take, for example, a manufacturing company implementing new safety procedures at a plant. The change to daily operations requires shifts in how employees think about and act on safety issues. Typical change interventions focus on communicating new procedures, KPIs, and aligning incentives (for example, by making data on safety incidents visible on the shop floor and updating that information daily).

To build conviction by shifting mindsets, leaders can role model trust in their employees to make the necessary changes. The head of communications at one company split his team into two. The blue team was given the task of reviewing and editing traditional marketing materials, while the red team was empowered to use a competitor's software before creating a marketing campaign. The blue team made incremental changes by editing press releases and word-smithing brochures. The red team realized the competitor's software was easier to use and made the decision to delay any marketing campaign until its product was redesigned for a better customer experience.

Leaders can also motivate new levels of operating performance by offering a powerful narrative. A technology company leader brought the competitive challenge to life by hosting his leadership team at a boxing gym. This bold, unusual idea allowed company leaders to see the level of training and discipline required to go head-to-head with an aggressive opponent. The event motivated participants to be part of a winning team and contributed to a dramatic shift in results within a single quarter.

C3: Transform
The third change level, transform, calls for the whole organization to sustain materially higher performance. Such transformation change is typically tied to shifts in the competitive context and the need to find opportunities in megatrends reshaping markets and requiring new levels of performance. Traditionally, C3 efforts used to occur every five or so years, when markets evolve and performance slips, but they are now more frequent and demanding.

A good example of C3 is when a company achieves a step change in customer service, speed, and quality by rewiring its operating processes with digital tools and data analytics (see sidebar, "Winning at traditional change management"). This kind of change affects everyone and requires simultaneous shifts in ways of working. A leader's role is not to frighten employees with a "burning platform" but to help them find a "burning desire" to outperform.

Winning at traditional change management

The power of getting better at the three levels of change management—execute (C1), mobilize (C2), and transform (C3)—is illustrated by a major energy company. Faced with numerous performance challenges and a culture that rarely aspired to more than median performance, leaders systematically reset their approach to the three levels of change. Over several months, a team took inventory of an enormous portfolio of changes, classifying them according to the C levels. When reviewing this change burden, it became obvious that a vast number of C1 initiatives did not need to be pursued. These activities kept people busy and overwhelmed, and were poorly managed, with project managers fractionally allocated to inefficient tasks and few concrete outcomes.

Next, leaders reprioritized C2 initiatives that required adopting new mindsets and behaviors, creating clearer sequencing and integration for affected employees. By looking at when groups of people would be affected and the timeline required to prepare them to adopt the change, the company sequenced changes by first investing in skills and change capacity, followed by implementation. Since many of the changes related to accountability, employees were trained in new behaviors and how to embed them in performance reviews and people selection decisions. This ensured that employees delivered real results in one role before rotating into their next assignment.

Finally, leaders created space to focus on neglected health initiatives that were key to their C3 transformation efforts. They devoted multiple top 50 working sessions to leadership behaviors that tied accountability and results to future performance. The company is seeing the performance benefits of tightening its approach to traditional change and putting leaders into roles where they can manage employees' change capacity and be held accountable for results.

Transformational performance requires an overhaul of how an organization operates, with a dual focus on performance and health. Leaders need to devote as much time to defining and managing health-related initiatives as they do to performance-focused initiatives.

For instance, a global company announced its goal of reaching top-quartile health in three years by adopting new behaviors related to accountability and results. Its CEO undertook a deep analysis of the cultural drivers of performance and found that reaching this goal would require a profound shift. A culture of comfortable underperformance had taken root over decades, with performance management and rewards viewed as untouchable. Overcoming objections from the HR function that anchored its initiatives on improving employee engagement, not performance and health, the CEO put real culture change on the top team's agenda and tracked progress monthly.

C4: Reinvent by scaling the future faster

Resetting the bar for traditional change management benefits all organizations. For many, the next frontier of change, reinvention, requires leaders to embrace more radical approaches and actions—in effect, to embrace the creative destruction of the company so that it creates value in new ways.

Consider a traditional automotive manufacturer transitioning to become a leader in electric- and autonomous-vehicle technology while dealing with shifts in global supply chains. This shift involves an intimidating agenda that includes changing the core product line, redefining market strategy, rewiring operational processes, reshoring the supplier network, and building new skills to win as a software-defined platform. In short, everything needs to change—from the priorities for investment to the speed at which products are released (from annually to continuously) to the talent practices required to attract and retain people with new skills.

For leaders, both accomplished in designing and manufacturing traditional vehicles and used to being followed by virtue of their experience over decades, this poses a unique challenge. They must let go of many of the personal beliefs that made them and the company successful in the past and that are sources of personal and corporate pride. In fact, their assumptions and behaviors are often key barriers to the change required. It's no wonder that when we review old strategic plans, we find that leaders had put on paper the need to reinvent but were often unable to move boldly enough to enact the required shifts.

With reinvention change, leadership recasts itself toward more dynamic, iterative ways of working that can adapt to uncertainty.

The five fundamentals of reinvention change

While most high-performing companies are alike, each company undergoing reinvention faces unique strategic and cultural challenges. Unlike traditional change-management techniques, which can be codified and deployed as playbooks, reinvention change approaches must evolve as companies make progress and, inevitably, need to learn from failure.

In our work across a wide range of companies that are actively reinventing, we see leaders asking themselves five questions to catalyze change (table).

Table

Leaders can ask five questions to set their organizations—and themselves—on the path to reinvention change.

Question	Key action	Implications for leaders
Where will we find value amid creative destruction?	Work "future back" and "outside in," focusing on fundamental customer needs	Be a visionary with a mindset of possibility
How can we play a central role in the emerging ecosystem?	Map the new ecosystem and reshape it	Be an architect of new combinations and positions in your ecosystem
What organizational rewiring can help us shift?	Rewire resource allocation processes	Be a catalyst of new systems and networks in your company
How will we learn faster than others?	Build new capabilities by operating in short cycles of decision, action, and reflection	Be a coach to others so they learn fast and fearlessly
What do my people need from me?	Shift outer and inner view, and change your personal operating model	Show up with humanity and humility

Question 1: Where will we find value amid creative destruction?
Reinvention change starts when leaders achieve strategic clarity that engages the company behind a compelling "future-back, outside-in" vision. In practice, leaders define the future customer, frame the scope of the reinvention required, and provide sufficient direction to motivate employees. Successful leaders pair a clear plan with a persuasive story.

A company's business model is as much an emotional construct as a strategic or financial one. People join a company and stay because they are attached to its identity and feel a sense of belonging. This is normally a healthy bond, but when reinvention is called for, it can stop leaders and employees alike from embracing the need for a new business model.

The key action for building a new identity is to focus the company on the fundamental needs of customers in a new era, while communicating that the way those needs are met will be different. For example, retailers and marketplaces are reconsidering the future of shopping as agentic commerce becomes a reality. Or consider a traditional auto player buffeted by electrification and the move to autonomous vehicles. To win in this new ecosystem, the emphasis must shift to the mobility a vehicle provides and away from the need to own a car. A CEO who communicates this change effectively spurs employees to work together to find new ways of providing mobility services.

With reinvention, it's essential to let go of the past, which can include defunding or selling old businesses and dropping product lines. A classic example is how Philips bid goodbye to lightbulbs and televisions to focus on healthcare technology. There are also symbolic ways of highlighting reinvention—for example, by moving the head office or ending popular but outdated advertising campaigns. In one well-known example, Zhang Ruimin, then the CEO of a company now known as Haier, ordered the public destruction of defective refrigerators to signal a commitment to quality.

Question 2: How can we play a central role in the emerging ecosystem?
Many industries are changing from "pipelines" to "platforms." The world's most valuable companies play a shaping role by enabling new links and value streams. With reinvention, change needs are often beyond the boundaries of an organization. Critical functions are outsourced or new opportunities demand cooperation across the full supply chain. A good example of a new ecosystem is European retailers working with meat suppliers and even their feed producers to create higher quality, more sustainable food.

A key action to understanding future value creation is ecosystem mapping. This entails identifying the central players, relationships, and dynamics that will shape the organization's future markets and the opportunities within them. The core idea is to see the bigger picture—not just direct customers or competitors, but also partners, regulators, suppliers, communities, influencers, and other stakeholders.

Leaders can identify and categorize these factors, then map how they connect and interact with one another, looking for gaps, leverage points, or hidden opportunities. The result is a clearer understanding of where value will be created, where risks lie, and the future roles the organization can play in ecosystems.

To kick-start reinvention change, one CEO convened the top 50 leaders and top 200 salespeople to map their ecosystem and brought in digital start-ups to challenge the team. A start-up leader expressed astonishment that the leaders were not finding more value in the data that they had. Hearing that start-ups saw huge potential for the company and that they were eager to partner gave leaders a jolt of energy that came from renewed self-belief.

Question 3: What organizational rewiring can help us shift?

Organizations, commonly drawn as boxes and lines, should really be thought of as networks of relationships that enable the right work to get done in response to a strategic challenge. Leaders, facing reinvention, must disassemble and reassemble the way work is done and the organization is rewired. Otherwise, inertia and "old plumbing," such as resource allocation, decision committees, budgeting cycles, incentive structures, and functional silos, will keep a system in place, protecting existing power structures and limiting investment in new businesses and capabilities. With the advent of agentic agents, the question becomes which decisions should be the purview of humans and which should be entrusted to agents.

Letting go of the past requires an unsentimental approach to resource allocation. Leaders who try to build a reinvention strategy while maintaining old business models are doomed to fail. For example, an agriculture company with a saturated home market pivoted to international growth, but because it was unwilling to take resources from the historical core, it couldn't commit the necessary resources to win in new markets. Not letting go of the past undermined its future growth.

In a positive example, an Asian bank set the goal of becoming an industry leader by adopting a new identity: a customer-centric technology company. Instead of developing strategies in each organizational unit based on existing budgets, leaders adopted an ecosystem mindset, asking employees, partners, and customers how to make dealing with the bank easy and even fun. This approach required creating a platform of APIs that could serve all customers and enable collaboration internally and with partners across various industries, including property, auto, travel, and utilities. This opportunity would not have been visible if resource allocation and rewards had continued to be tied to the old organizational structure. A leadership program helped build cooperation among the most valuable cross-functional teams to pull this off.

Question 4: How will we learn faster than others?

The core of competitiveness, and therefore change, is organizational capabilities. To scale the future ahead of others, the faster learner will win. "Agentifying" the organization, becoming more sustainable, reshoring supply chains, or solving for a structural shortage of talent are not problems that can be solved by "a small group of experts in a corner," but instead require building new capabilities. Organizations can bundle leaders, talent, structures, processes, systems, mindsets, and networks to perform quickly.

The key action to renew capabilities and outlearn peers is to operate in 90-day cycles of decision, action, and reflection—focusing on clear outcomes and conducting sharp-eyed after-action reviews to understand how to improve and which roadblocks to remove.

For example, an Asian oil company built seven new core capabilities in a structured approach, including enhanced oil recovery and liquefied natural gas commerce, through a learning process with quarterly outcomes-based milestones, benchmarking them against peers and companies in other industries.

Or consider a traditional pharmaceuticals player, used to long cycles of change and centralized decision-making, that blew up its organization in search of innovation. Instead of a closely held process led by business unit leaders, strategy was redefined as learning by doing, and resources were allocated to mission teams empowered to drive specific initiatives while operating in 90-day learning cycles.By rapidly developing Teams as a platform, Microsoft's leaders emphasized resolving technical challenges quickly so employees could keep moving forward. According to CEO Satya Nadella, the company embraced a "'live site first' culture" that allowed engineers and customer-facing teams to "swarm together to coordinate and fix any problem." This environment signaled that leadership valued employee learning and progress, which strengthened their commitment to building competitive products for customers.[3]

Question 5: What do my people need from me?
The previous four questions each challenge leaders to show up differently: as visionaries who can unify the company around future customer needs, as architects who can reinvigorate an ecosystem to create new value, as catalysts who can break down the existing organization and rewire the system to pursue new opportunities and leave the old behind, and as coaches who can build new organizational capabilities and inspire others to learn fearlessly. And yet, these shifts are not sufficient.

To enable reinvention change, leaders need to make the inner changes that put themselves in service of their organizations and take accountability for "right changing" their change portfolio. This takes a rare combination of humanity and humility.

Too many leaders, when faced with low organizational health, stories of burnout, and persistent failure to deliver change initiatives, get the wrong signal. Instead of asking why people can't deliver, they turn to the burning platform playbook and crank up the pressure, reiterating the negative consequences of failure to deliver. They lean on economic incentives and push to "upgrade" talent. Unwittingly, these actions tend to shut down honest conversation and encourage self-protective behavior and hoarding of resources—making it even harder to deliver the change.

What if, instead, leaders viewed themselves as stewards whose role is to build confidence in the future of the organization and operated as visible role models of the change? What if they radically changed their personal operating model, shifting their time to learning and steering the new? What if they reshaped the change portfolio and reduced it to the initiatives that are critical to success? What if they reduced the change burden on employees and made sure people were equipped to perform in their role? What if they found a way to amplify what is going well, to fuel the pride and hope of people that they can win amid uncertain times?

The key action is to serve with humility as a role model for the change and display the humanity to be in it together with employees. For instance, a new CEO asked his team to write down on a single page the company's new strategy that would motivate employees. At their off-site

[3] Satya Nadella, *Hit Refresh: The Quest to Rediscover Microsoft's Soul and Imagine a Better Future for Everyone*, Harper Business, 2017.

meeting, he told them that while his whole career had prepared him for this moment, he still felt daunted by the challenge of leading change. Even so, he was confident that by working together, they could figure out how to reinvent the company. This balance of humanity and humility inspired the new team, allowing them to simplify the company's strategy while committing to reskilling employees and bringing new people in so the company had the capabilities to win in new markets.

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Getting better at traditional change management can refocus an organization, free up resources, and win leaders plaudits from employees who feel that they are being invested in, not imposed upon. Stepping into reinvention-level change calls on leaders to create a new organizational identity, unify employees behind customer needs, redesign the ecosystem, catalyze decision processes, and build new capabilities. Beyond that, leaders can change their personal operating model, fostering an environment of trust and collaboration. When they do this, change becomes a movement, and the vision becomes a light that never goes out.

Aaron De Smet is a senior partner in McKinsey's New Jersey office; **Arne Gast** is a senior partner in the Amsterdam office, where **Erik Mandersloot** is a partner; **Richard Steele** is a partner in the New York office; and **Carmen James** is a knowledge expert in the Atlanta office.

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This article was edited by Barbara Tierney, a senior editor in the New York office.