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Talent & Organization Performance

## The change-capable organization

By Walter G. Gossage, Yaarit Silverstone and Andrew Leach

Rather than reshape itself periodically with stand-alone change programs, a company and its culture must be constantly adaptable to new directions. Change management must be an internal—and eternal—capability, present within the organization at every moment.

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One of the odd paradoxes of organizational change is that all the initiatives companies undertake to support major transformations—learning programs, structural changes, communications plans and the like—can actually prevent effective change as much as enable it.

The enemy is time. It may take months to bring a team on board to design and execute a change program, then several more months to make the transition to a new way of working. By that time, who can be sure the initiative is even relevant to the real business issues of the day? Maybe, instead, the change program ends up being more like last year's fashions—handsome and well crafted, but out of date.

Companies can no longer afford to think about organizational change as something separate from everything else they do. They now have to be “change capable,” *all the time*.

This doesn't mean developing some Zen-like culture or leadership capability of always being present in the moment. All the rigor, methods and metrics we've come to expect from the field of change management are still necessary. What it does mean, however, is that those approaches must now be integrated into the everyday operations of the enterprise.

Change management must be an internal—and eternal—capability, present within the company at every moment. An organization and its culture must be constantly adaptable to new directions, rather than reshape itself periodically with stand-alone change programs.

Why? An ongoing, highly adaptive change capability is about more than just internal efficiency. It's about pushing marketplace responsiveness and innovation throughout an entire organization. Big legacy companies in every industry are

now competing against very nimble startups from all over the world—companies unburdened by reporting structures and process checkpoints that can add months to new-product development or service innovation.

So the stakes are high: If you're going to compete in today's marketplace, you need to be change capable.

How do executives assess the ability of their organizations to meet the changing needs of customers, the marketplace and a difficult economy? New data from the 2010 Accenture High-Performance Workforce Study suggests that all is not well.

Nearly half (48 percent) of the 674 executives surveyed globally are not confident that their organizations can quickly mobilize to serve new markets and customers (see chart, page 3). Fifty percent do not believe their culture is adaptive enough to respond positively to change. Forty-four percent aren't sure their workforces are prepared to adapt to and manage change through periods of economic uncertainty (see chart, page 4). Not exactly confidence inspiring.

### Who's in charge?

One big question is which function within the typical company should be charged with helping workforces, leaders and the entire organization deal with change and respond with more agility to market conditions and opportunities. The most likely candidates are certainly the HR and enterprise learning functions. Yet here again, only 1 in 10 executives in our survey feel that their HR and training organizations are extremely well prepared to lead the charge when it comes to managing change as an ongoing capability.

Certainly, partnering with consultancies and change gurus will always be an option when it comes to helping a company's broader culture assimilate

## Slow to respond

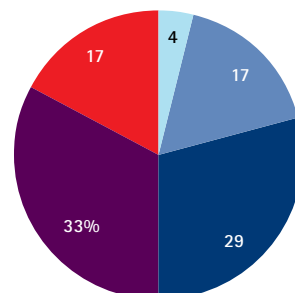
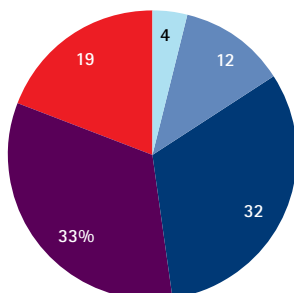
Nearly half of companies surveyed are not confident that they can mobilize quickly to serve new markets and customers, nor do they have cultures that enable them to quickly adapt to change.

For each of the following statements, please indicate your agreement as it applies to your overall enterprise.

We can quickly mobilize our enterprise to execute new strategies, serve new markets and new customers, and deliver new products and services.

Our organization's culture is highly adaptive and responds quickly and positively to change.

- Strongly disagree
- Somewhat disagree
- Neutral
- Somewhat agree
- Strongly agree



Global base = 674  
Source: Accenture High-Performance Workforce Study, 2010

new technologies or execute a new strategy faster and more effectively. But as noted, if that's the only tool in a company's toolbox, it is likely to be ill-equipped for the task.

What companies have to avoid is the situation where they put in place a major new strategy or market initiative, and only later think about the workforce, leadership and culture programs needed to help everyone perform in new ways and to support the change. By the time an organizational change project has been ramped up, planned and staffed, chances are the company has moved on to the next strategic wave.

Then, when the lagging talent, culture and leadership programs (which are no longer actually relevant) finally get ramped up, they can actually impede the organization's ability to rise to the challenge of the next wave of change.

Here's what the alternative looks like in actual practice. India's Tata

Motors accomplished what was thought to be an impossible objective—mass production of a \$2,500 automobile—by, first, simply ignoring the organizational impediments that most other companies would have encountered.

Rather than beginning by focusing only on the company's competencies and limitations and then looking out to what was possible, Tata Motors did the opposite. The company looked at an unmet marketplace need—an inexpensive means of transportation for the growing middle class in emerging economies—and instead asked how it could alter its design principles and manufacturing processes to meet that need.

How can an organization develop that capability? What would a company need to put in place—the competencies, structures, leadership and metrics—to make itself continuously change capable? Based on our research and experience, the following elements are the most essential.

## Establish an enterprisewide change network

Managing change in an integrated fashion requires deep expertise. But how can that expertise be developed without signaling to the rest of the organization that they don't have to worry about it?

That's often an unintended consequence of creating deeply skilled resources in any area. Particular specialty areas such as ethics or philanthropy, for example, become the job of only a few people rather than a responsibility shared by the entire organization. So over-specialization can be counterproductive when it comes to creating an organization in which all employees see change management as part of their job.

The answer is balance. On the one hand, a change-capable company must have centers of deeper expertise in the techniques and methods of change management. Such a centralized center of excellence can house academically trained

and deeply experienced resources, in whatever numbers are appropriate to a company's budget and needs.

At the same time, however, change experts are also needed closer to where the action is. So an always-connected change network is what's needed—balancing centralized management expertise with distributed competence and awareness.

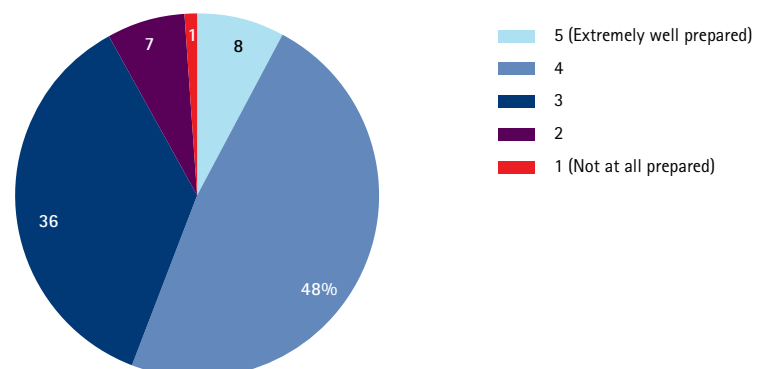
The change network then is supported by a shared set of consistent and comprehensive change management practices, tools and templates—in effect, embedding change management principles in how people work, think and collaborate. These methods need to be accessible to all employees and managers at all levels, and used in every project and program in a consistent way.

A large, global organization can sometimes fight against itself if common change management

## Change-incapable?

Forty-four percent of respondents to a recent Accenture survey do not feel their workforce is prepared to adapt to and manage change through periods of economic uncertainty.

Using a scale of 1 to 5, how well prepared would you say your workforce is to adapt to and manage change through periods of economic uncertainty?



mindsets and methods are not in place. For example, a major global pharmaceuticals company was challenged to deliver more than \$1.5 billion in cost savings within 12 months. The company was struggling with the task, in part due to the inability of leadership to manage

the internal changes required to deliver that level of savings. Analysis of the company's existing situation found one of the sources of the problem: No fewer than six non-complementary methods for dealing with change were in place in different parts of the company.

## Develop broader change competencies

Creating a change-capable organization also depends on developing change management competencies for employees and leaders at all levels. One successful model for building this kind of organization-wide change competency is a “change academy”—a dedicated learning function explicitly charged with developing change management skills, tools and methods for an enterprise. It can also be the means of centralizing the management of change on an ongoing basis.

For example, EDF Energy Networks—a directorate of EDF Energy, the largest energy distribution network operator in the United Kingdom—has embarked on a major transformation program called Networks 1st. The aim is to solidify the company's leading market position through changes affecting productivity, asset management, workforce development, safety, customer service, contractor management, and systems and data.

The impact of this initiative on the company and its 5,000 employees will be enormous. In fact, an initial strategy phase for this transformation program identified no fewer than 64 initiatives that will change the way the company operates, affecting the daily performance of thousands of employees.

According to Richard Harpley, the Networks 1st executive program sponsor: “Our challenge in light of

this impact and the importance of the transformation was to do more than simply train our people to work in new ways, as important as that is. The greater challenge was to help them understand what successful change is, and then how to lead and manage an effective change program.”

Chris Degg, the company's HR, communications and training director, notes: “We realized that we could no longer rely on occasional, ad hoc programs to help us cope with organizational change. It had to be something we were good at across the entire company and at every level, all the time.”

EDF Energy Networks established a dedicated change academy to support the transformation program's leadership team, the change managers and, in time, the overall management population.

The ultimate purpose of the academy is to help EDF Energy Networks build an internal and sustainable change capability. It enables tailored capability development at three levels of leadership: the senior executive team, managers and then a group called “change supporters”—especially influential people across the business who agree to support change and to be active ambassadors for the program.

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## Constellation Energy: Change from the employees' perspective

Over the past few years, Constellation Energy Group—an integrated energy company with operations throughout the United States and Canada—has invested considerable time and resources to build a change capability to ensure that change management becomes part of the fabric of the organization and a natural way it operates (see story).

This new approach was driven in part by taking the perspective of the company's employees—seeing the effects of constant change and marketplace pressure on the workforce. An urgency-driven mentality can cause employees to perceive organizational change only as something that happens *to* them rather than as something they are to embrace and help drive.

Traditionally, the company approached a change initiative on an as-needed basis, as separate or discrete programs. However, when it began to see change as a constant strategic imperative, it recognized the need to build an internal change competency. This involved paying attention to several of the elements of a change-capable organization.

For example, Constellation Energy already had in place an enterprisewide framework it used for program management—a Six Sigma-based methodology. The company was able to adapt that framework as a means of encouraging and monitoring the development of change capabilities across functions and workforces, as well as tracking how effectively the change implications of a project were being managed.

Within that framework were embedded more than 50 change management tools and templates covering a variety of areas, including stakeholder assessments, resistance analyses and culture change tools. A change management training curriculum was also put in place. Participants were trained in problem solving and process improvement, and were also given a solid grounding in change management concepts, principles, tools and skills. These experiences were then immediately applied on projects. Different learning programs were designed according to different levels and roles—project managers, sponsors and change agents.

Effective leadership development was addressed in a dedicated program: Executives were introduced to key levers influencing change-capable organizations, including relationships, culture, structure and measurement.

A change network was also an important part of Constellation Energy's newly developed change capability. Agents whose job it was to advocate for change were typically located within a business sector or unit, and often served as local communicators, working to identify and resolve change issues along with the project team. This was no small network: For even a minor initiative, the company deployed as many as 60 local change agents, while complex and enterprisewide initiatives were supported by more than 200.

One of the keys to success for Constellation Energy was its ability to integrate change capabilities into the natural way that projects are performed. This means that change became something that wasn't simply applied to a workflow, or addressed after the fact, but instead became just another aspect by which that flow could be managed and shaped.

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One of the benefits of the academy approach is in giving an organization the focus and rigor needed to manage change, just as it would manage any other kind of program, project or deliverable. Rather than relying on intuition or the charisma of a few leaders, a company can use best-of-breed, research-based and field-tested knowledge and methods to build a broader foundation for successful change.

According to program sponsor Harpley: “The academy has also enabled us to work faster. The first few months of a major strategy or change program are critical. If the initiative gets off to a slow start, and if the word of mouth around the company turns negative, it can take a very long time to recover. With an academy model, we were able to develop 20 modules of various kinds of knowledge and skill building, and to deliver 31 sessions across company leadership, in only three months.”

## Create effective change leaders

Managing change effectively requires specific kinds of leadership attitudes and behaviors. Based in part on knowledge of the specific competencies needed to manage change, companies must have dedicated programs in place to develop the right leadership behaviors, and then provide the appropriate incentives.

Following the 2007 merger that created Nokia Siemens Networks, the company launched a business change program to introduce a common mode of operations across more than 100 countries and 300 customer teams. The scale of the change was enormous. According to Herbert Merz, head of operations and member of the executive board at Nokia Siemens Networks, “We recognized that the success of the program would depend largely on the competence and drive of our people. That meant distributing business change skills more widely across our global practice.”

A key part of the business change program was, therefore, a new leadership training initiative focused on building an internal change management capability. According to Jyrki Runola, now head of the business change program, executive director and a member of the

operations leadership team, “Our goal now is to make sure that our leaders know how to get all parts of the organization to breathe the change together, to speak the same language and move change from one individual to another.”

One of the key lessons that has emerged from this work is the importance of carefully mapping the responsibilities of change manager roles against the talent pools from which such managers will be chosen. Managing change requires specific knowledge and experience, and it's vital for companies to have a better grasp on the capabilities of their leadership pool so that they can assign the right people to the right roles.

Nokia Siemens Networks also discovered during its change initiative how much the world of social networking and peer-to-peer learning has altered the nature of how change leaders must communicate. For many years, change management experts have stressed the importance of effective, two-way communication, with a special emphasis on how leadership communicates clear and consistent messages.

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# Creating a change-capable corporate culture

By Lori L. Lovelace and Adrian Lajtha

For some time, executives have seen a strong corporate culture—one with clearly identifiable values, and with belief systems, presumptions and ways of working that are found throughout the organization—as a highly desirable quality. Today, given market uncertainty and the pace of change, an even more desirable quality is to have a corporate culture that is both strong and change capable (see story). That effort comes with its own set of unique challenges.

This has been an insight gained over the past few years as Accenture has continued to pursue its own growth opportunities in a marketplace that is more global, volatile and competitive than ever.

Our common worldwide culture has always been one of Accenture's distinguishing features. An employee or client could walk into an Accenture office in New York, London, Frankfurt, Mumbai, Tokyo or any of our more than 200 global locations and feel "at home." Today, our people everywhere continue to share a set of clearly defined core values that help us connect different parts of the organization and provide the same quality of service to our clients everywhere we do business.

Enabling our culture to evolve to meet new business challenges became an important area of focus as the company's senior leadership worked to refresh our business strategy, as well as the human capital strategy required to achieve new business objectives. A key part of this exercise was to ensure that the company was both strong and flexible—with a culture that would be even more agile and responsive to marketplace developments.

Making that happen has required a dedicated program of culture change that is still in progress, but which has already yielded benefits in terms of helping us become even more client-centric, innovative and change capable. Several aspects of the program's design and execution are especially noteworthy.

## Get specific

First, we defined, at a detailed level, the specific elements of our corporate culture that we wished to reshape in light of new strategic goals, as well as the business outcomes those new cultural traits would ideally produce. "Culture" can be an amorphous concept, but if you identify discrete components, it becomes clearer how you can retool the culture for business advantage. Equally important, that specificity also makes it possible to prioritize potentially competing claims for time and resources.

Working with top management and company stakeholders from all over our global practice, we prioritized 10 major culture shifts we believed would be critical to executing our business strategy more

effectively. Some of these shifts touched upon concepts broadly applicable to many organizations—becoming even more customer focused, for example, as well as encouraging new approaches to innovation, employee learning and collaboration, and leadership development.

We also were keen to make sure our company had a culture that promoted high performance while simultaneously being attractive to new generations of employees. So we spent quite a bit of time analyzing Generation Y perspectives, and then "road tested" some of our ideas with select teams of that age group. We established a blog and a wiki where they could vet their thoughts on where our culture was heading. These helped us steer a solid course.

Other culture shifts were more specific to Accenture's market-place and business goals: for example, creating a culture supportive of both short-term urgencies and the long-term perspectives needed to achieve high performance.

We also sought to balance a global mindset with a healthy respect for local

perspectives, and to balance the need for specialized skills and subcultures with the benefits of a common culture. In high-growth markets for our company, such as India, we were careful to identify local cultural attributes that, though not contradictory to the common culture, would help bring the company alive for employees from that region.

## Define supporting behaviors

A second critical activity was to drive these culture shifts down to an even more detailed level: the behaviors that would support the development of the desired cultural attributes among individuals and across the company.

For example, fostering employee growth and learning required, in our estimation, behaviors such as recognizing people for

their contributions, and providing timely and candid performance feedback. Becoming more nimble would require anticipating industry shifts rather than analyzing and then responding to them. Encouraging a global mindset would mean, among other things, building cross-cultural knowledge and understanding, as well as applying consistent global standards and ways of working.

## Appoint sponsors to oversee each culture shift

In addition to board-level sponsorship of the entire program, we also asked senior executives around the practice to serve as sponsors for the culture shifts themselves. Our chief operating officer, for example, sponsored the "nimbleness" initiative;

an executive whose focus was technology strategy was asked to oversee the "innovation" culture shift. These sponsors not only provided individual expertise and guidance; their influence helped make the case for change across the company.

## Establish metrics to assess progress

At Accenture, we use the same leading-edge change management tools, methods and benchmarks we bring to our clients doing similar work. For example, we used the latest thinking about change metrics to measure progress. In several of the culture shift areas, such as effective leadership, we established key performance indicators—things like

employee survey results and attrition rates—that we believed would give us an adequate indication of how successful the culture shift was, for both individual progress and the company as a whole. It's important to include qualitative assessments such as employee perception along with harder data such as operating performance.

Reshaping a corporate culture is, like the broader initiative to create a change-capable organization, a journey whose destination is never fully reached. By definition, a company that is change capable is one that is always working to adapt its culture, talent, leadership and organization structures to new challenges and marketplace opportunities.

## For further reading

"Creating an agile organization,"  
*Outlook*, October 2009

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Today, horizontal communications are far more prevalent than they once were, which means change leaders must adapt. Just as companies can no longer perfectly control their messaging in the era of Facebook and YouTube, neither can change managers presume they own the entirety of the conversation going on. The answer is to use such ubiquitous communications to your advantage, shaping dialogue rather than trying to control it.

Finally, Nokia Siemens Networks discovered another important truth

about change leadership: The leader of the group that will be most affected by change needs to have key responsibilities for the change effort. The company's business change program was initially driven by IT and process management experts, while the organization most affected by the change was treated as the customer. Partway into the initiative, the company made a switch, putting key players from the country operations and customer teams in leadership positions. This significantly improved execution of the program because the teams now had a bigger stake in the game and their concerns and issues could help shape the overall initiative.

## Assess change "fitness"

Metrics are a critical part of any change management program. Measuring change capability, however, is a process different from more typical methods of tracking the progress of a particular change initiative (a refreshed business strategy, for example, or a new systems implementation). It's like the difference between tracking the speed and progress of marathoners versus assessing their overall health and fitness on an ongoing basis.

There are tools, for example, that can help companies assess their people's readiness for change. Other tools can track complex variables, such as the effectiveness of teams and workgroups: the pace of change they are experiencing, whether or not they are developing needed skills in sufficient numbers, the effectiveness of work processes and so forth. Ongoing assessments

can even be made of such factors as employees' engagement, emotional energy levels and commitment to innovation.

Realistic assessments of the broader corporate culture are especially important to building a change-capable organization. A company's senior management often has a difficult time getting a true read on what is happening across their organization's culture. Because of what could be called a distorted view from the top—where executive leaders receive information only after it has been filtered through multiple layers of management—senior leadership can lose touch with the day-to-day issues confronted by the workforce, and therefore may operate from an unrealistic picture of how things are really working. (For more on culture change, see "Creating a change-capable corporate culture," page 8.)

When executives want to improve their company's products and supply chain, they seek to embed quality considerations into every step of a process. When they want to improve their ethics and compliance performance, they make sure such issues are discussed and monitored naturally in all work and relationships.

Similarly, a change-capable organization asks, every step of the way, about what the impact of new strategies or other initiatives will be on people, process and organization. Such an organization sees change as a natural part of what it does, and therefore creates an always-present change capability. From top to bottom, people at such companies are able to seize marketplace opportunities instead of just responding to them.

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