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Leading and managing change in a multi-polar world

By Peter Cheese, Walter G. Gossage and Yaarit Silverstone

Today's global business environment requires bold new programs to drive high performance along three dimensions: change management, leadership and culture.

How do senior executives effectively execute their company's global business strategy at a time when all the familiar assumptions about economic power—all the preconceived notions about how value flows in a global economy—are changing before their very eyes?

Here's just one example of how very different today's business world is from the one where a few industrialized powers called all the shots.

Vale (formerly Companhia Vale do Rio Doce), headquartered in Brazil, is the world's largest producer of iron ore. Brazil has traditionally been referred to as a "developing country," but five of the 70 emerging-market companies in the Fortune Global 500 are headquartered there.

The company has been expanding its portfolio beyond iron ore into nickel, copper and coal, and has acquired assets in Australia, Canada and China to bolster its competitive position. In late 2007, Vale's CEO, Roger Agnelli, announced that the company planned to invest \$11 billion in 2008 in projects to increase its output of iron ore and other metals. One of the reasons: demand in China, where imports of iron ore were up 17 percent last year.

The stunning emergence of a developing market multinational like Vale is possible only in a multi-polar world—one in which the flow of innovation, talent and capital is truly global and no respecter of political boundaries. It's a world with astounding possibilities, to be sure, but astounding risks and pitfalls as well. Executive leadership will be challenged more

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than ever to manage the elements of organizational change now that companies can reach further, bring together more people and cultures, and serve more customers at almost every point of the compass.

The key programs needed to help an organization operate effectively in a multi-polar world all sound familiar, even generic: change management, leadership development, cultural transformation. Yet the very familiarity of these interventions may mask the profound differences of operating in this new global environment.

1. Managing and enabling change

The ability to execute a visionary global acquisition and operating strategy, particularly when a company grows so large so quickly, depends on how well you manage the elements of organizational change. The head of corporate risk management for one emerging market multinational puts it this way: “One of our greatest challenges is maintaining clear accountability for processes in the face of rapid change. When we acquire new businesses, whose processes are going to be adopted where? Are we going to decentralize, or should we consolidate some regions?” These are critical decisions to generating the value from new acquisitions, says this executive, and they require “strong, concerted effort in terms of managing the change and then putting in place the governance structures that support a new way of doing business.”

Even the most successful methods and frameworks, those that have historically been used to manage and enable change, are proving to be inadequate when dealing with the size, scale and complexities of global, cross-cultural, cross-generational change.

Change strategies, for example, must be developed in a manner that acknowledges the new value flows of a multi-polar world. Leadership transformation must focus on more layers of management and different leadership behaviors. Cultural change programs must balance the desire for global commonality with local relevance and authenticity.

Here are some examples of how today’s change leaders are driving high performance in new ways along the three dimensions of change management, leadership and culture.

Based on our experience, companies that succeed in this new world will master new kinds of change management disciplines—starting with being able to define an appropriate change strategy. Next they will introduce the practices that most effectively enable the necessary changes. Finally, they will embed these capabilities within the business to successfully manage change on an ongoing basis.

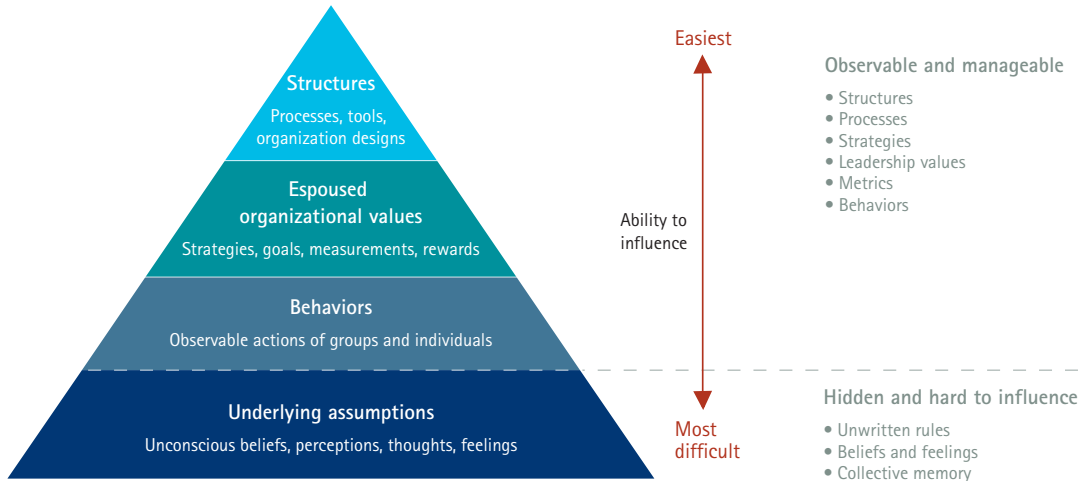
New change strategies

An effective change strategy must consider a much wider range of implications in a multi-polar world. One increasingly important element is managing talent in a global environment, where the lines of communication and control are more and more thinly stretched. Effective change strategies must focus on cultural, operational and legal dimensions.

From a cultural perspective, executive leadership must develop communication strategies and reporting structures that take into account the often different presumptions and norms of the company’s various organizational groups, nationalities and levels of seniority. Like the lines of communication, the spans of con-

Culture shock

As companies in a multi-polar world increasingly bring together people from different organizations, nationalities and regions, leaders must proactively work to establish common cultural ground. Effective culture change requires interventions designed to influence structures, values and behaviors—as well as people's underlying and unconscious assumptions, which can be extremely resistant to change.



Source: Based on Edgar H. Schein's model in *Organizational Culture and Leadership*, San Francisco: John Wiley & Sons Inc., 2004.

control and influence in a global, often virtual organization are more thinly stretched than ever before.

Companies cannot succeed in a multi-polar world simply by having management push change to the rest of the organization. Employees must truly believe in the change and want to work in new ways. They must experience the connection between their personal success and the success of the entire organization.

Managers face major operational challenges in a global environment in which they can seldom simply walk down the hall and steer every node of their far-flung organizations in person, or take a quick temperature check of how a team working under a stressful deadline is performing. More and more communications and business processes must take place through virtual structures—teleconferences, e-mails, videoconferencing,

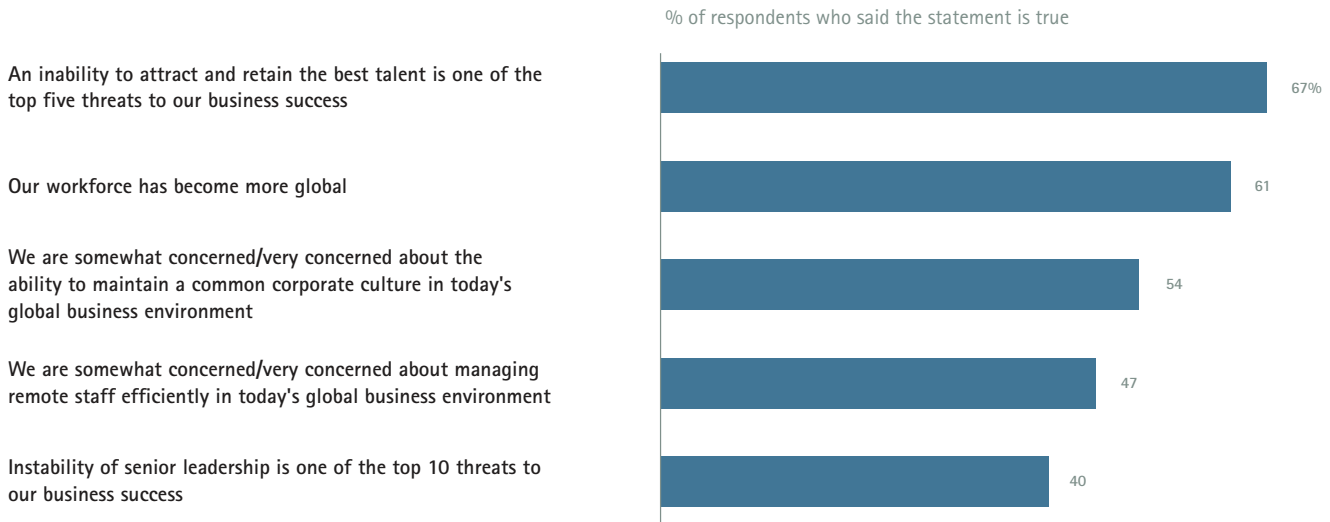
electronic workflows and the like. These new ways of working must be explicitly detailed and incorporated into management processes and structures, and in the ways work is moved around, checked and handed off (see “A bold new look for global sourcing,” *Outlook*, September 2007).

From a legal perspective, a crazy quilt of regulatory guidelines must be attended to as well. The failure to plan for different national laws and regulations can undo an otherwise carefully orchestrated change program. Some countries, for example, have restrictions on where an individual's supervisor must reside. That can be a deal breaker for a company looking to have a team in one country reporting to a manager in another.

Enabling organizational change
“Change enablement” refers to the specific methods and tactics used to

Concern in the C-suite

According to Accenture research, a significant number of C-suite executives have concerns about culture, leadership and managing change in today's global business environment.



Source: Accenture research

transform the behaviors of people at all levels of the organization and to support those new behaviors so that an organization does not regress back to old ways of operating. The threat of regression is intensified in a multinational company, since there are many different nodes of the organization to be monitored and, therefore, more potential pockets of resistance.

Take the case of one global resources company in the midst of dramatic change targeted at developing the organizational capabilities to drive competitive advantage in a challenging energy environment. As the company looks to take maximum advantage of global talent pools, its information technology group is leading the way with a lean, specialized, virtual organization charged with providing enterprise application support to tens of thousands of the company's internal customers.

The company's IT function intends to seamlessly deliver service to its customers through this virtual organization, leveraging people and skills across hubs in major locations within Asia, Africa and the United States.

Helping the company's IT executives help everyone else manage the change was a significant challenge. The company's executive in charge of IT service delivery, who oversaw the creation of the new organization, began by constructing a leadership team from a pool of highly qualified candidates. She then built the next layer of managers reporting to those leads.

"What I found at that point, however," recalls this executive, "is that as good as these leads were, this challenge of creating a global, virtual organization was something they had never done before. So we then backed up and asked, 'What do we need to do to make this happen?'"

Companies that are successful in changing globally have programs that are both driven from the center and embedded locally.

Is this team diverse enough? Does it have the skills needed?’ ”

Interventions that enable change in a multi-polar world must be more sweeping and executed with more precision than traditional change interventions. Simplicity and consistency are key. Interventions must occur both at a surface level of awareness and on a deeper, structural level.

Awareness training is certainly essential, helping leaders and employees at all levels understand differences among cultures—their ways of seeing the world, their values and preconceptions, and their ways of communicating. Enablement must also take place at a structural level, however, which often requires the development of new governance models. Successful change leaders alter business processes so that work reflects the new business and operational reality. They also put in place elements such as revised reporting and rewards structures to ensure that people display the new kinds of behaviors needed.

Metrics are important to assess the success of a change program, but only if one understands that metrics doesn't have to mean numbers. Effective change leaders will look at behaviors, results and outcomes, some of which will be reported as numbers and others through different kinds of assessments.

Shell, for example, is currently implementing a new enterprise information system that affects some 40,000 employees in about 40 countries. As part of the change program developed to help these employees understand and embrace the changes caused by the new system, Shell used a diagnostic assessment of progress made in different geographies—how employees in various regions were supporting the change and performing in new ways. The results were made

available in a dashboard report summary across all geographies and lines of business to help executives understand the current situation and respond quickly.

New organizational designs for a multi-polar world need to simplify, as much as possible, the interactions among business units and geographies. This is, in a sense, counterintuitive. One might think that a successful global company, as part of the decentralizing process, would have more units and functions. In fact, companies that take that approach end up with a complexity in their reporting and metrics that they find almost impossible to manage. In a multi-polar world, you're managing not only the units and businesses but the “white spaces” between them. The more you can keep your structures clear and simple, the better.

Perhaps the key message when it comes to change enablement is that companies that are successful in changing globally have programs that are both driven from the center and embedded locally. Companies that still rely only on local efforts or, on the other hand, try to force change only from the center, are being outperformed.

Developing a change management capability

Because change in a multi-polar world is now both more constant and more far-reaching in its implications, organizations are likely to find that the ability to manage change internally is a critical, ongoing need, and something essential for all levels of change initiatives. This also means that the ability to manage change must become part of every manager's and leader's skill set.

The global resources company referred to earlier is a good example of using one specific change program as a means of introducing more

generalized change capabilities throughout a global organization. Says the company's IT executive: "I really have at least two critical jobs. The first is running IT delivery for the company from an operationally excellent perspective. The

second job is working with my colleagues to transform IT so the organization is better able to meet its future, global challenges. So we are using this pilot as an incubator of change for the entire company."

2. Transforming leadership capabilities

Companies that are successfully negotiating the journey toward high performance in a multi-polar world are doing more than implementing general leadership development programs. They are focusing specifically on two important elements in the particular kind of leadership needed for success in a global environment:

- Alignment of leadership across functions and geographies toward the common goals of the global organization
- Explicit specification of the leadership behaviors necessary to implement the vision

Alignment

The need for engaged, committed and aligned executive leadership is intensified in a multi-polar operating environment. As organizations become more geographically dispersed, they require multiple teams at the top of the organization working in concert so that leadership is not weakened or diluted by being spread too thin. That means that leadership development programs, and ultimately the monitoring of leadership effectiveness, move from a focus on the top 10 or top 50 leaders to perhaps the top 500 or 1,000 or even more in a large, decentralized organization.

In this operating environment, it is vital that leadership throughout the organization is aligned and

in lockstep with the company's particular vision for operating in a multi-polar world. It is also essential that leaders are committed to creating connections and synergies across traditional silos and breaking down organizational boundaries and constraints. Effective leadership today must be a collective phenomenon—more than the sum of its parts—to inspire innovation, energize an organization and ensure it operates effectively. The action of aligned leaders accelerates change and moves the organization in the desired direction.

High-performance businesses are pursuing some innovative ways to make sure that this alignment moves beyond rhetoric to reality. At one major US-based company, for example, which is currently diversifying its portfolio of businesses, senior executives have taken explicit steps to ensure alignment of their top leadership groups across different functions and boundaries.

The leaders of each of the company's eight lines of business, representing different geographies, were brought together to redesign the major processes that crossed the individual units. This forced them to work together, to forge new and deeper kinds of relationships with their peer groups—communicating, making trade-offs and coming to compromise positions—so that a vision for operating globally was backed up by new processes to support those operations.

Selecting and developing leaders must be based on behaviors as well as seniority.

This demonstrated to the organization a real commitment to teaming that went beyond rhetoric to something enacted from the top.

Behaviors

The alignment and collective agreement—from the top team all the way to frontline management—must also be apparent to the entire organization. And that means that an executive vision for change must be backed up by executive behaviors demonstrating and modeling how the company operates in a multi-polar world and how people are expected to perform. Leaders show what matters by how they act and how they use their time. Every action of a senior corporate leader becomes symbolic—a daunting fact, perhaps, but a fact nonetheless.

At Procter & Gamble, for example, CEO A.G. Lafley has won well-deserved praise for reenergizing this consumer products giant by articulating a simpler sense of purpose and bringing core values into sharper focus, especially a deep understanding of the consumer. The key to P&G's recent success, Lafley has noted, is not just communicating the centrality of the consumer ("The boss is not P&G," Lafley has said, "the boss is the consumer") but also demonstrating that commitment and modeling it from the highest level of the company on down.

A leader has to show the organization and its people how to behave in new ways. This has also been clear in the way Lafley has extended P&G's reputation for innovation. Going against the grain of the company's culture, Lafley began insisting on using ideas and technologies of outside partners as part of the innovation process. Overcoming internal resistance to make that happen, Lafley's leadership has driven impressive results: 6 per-

cent organic growth in an industry that's growing in general only at 2 percent to 3 percent.¹

Selecting and developing leaders must also be based on behaviors, not just seniority. A person can be a terrific performer and a great leader in a traditional operating environment but still lack the specific skills and behaviors needed in a world where, for example, innovation may be most active and fruitful in previously overlooked developing nations. Managers must be extremely comfortable in a less hierarchical environment, one where command and control does not flow in only one direction. They need to be capable of working across time zones, national boundaries and cultures.

How does an organization know who can be effective working in an environment that is so new that the star performers—those with the capabilities to succeed in a multi-polar world—have not yet risen to the top?

An approach being pursued by several companies today is to establish peer-to-peer leadership evaluation processes. This enables top management to assess the leadership capabilities of the various unit heads—specifying openly what their strengths and weaknesses are from the perspective of a multi-polar operating model. In this way, some of the best minds in the business can speak together not only to define what the new environment might look like but also to consider which leaders might perform best in that environment. The key is to redefine the success criteria—to be clear about expectations with the current organization, and then to build these expectations into development and metrics as well as into the recruiting process.

3. Creating the right corporate culture

The cultural implications of operating successfully in the multi-polar world are profound. Companies have been global for many years, of course, so the fact that senior executives oversee far-flung operations and business in multiple geographies is nothing new.

The cultural challenges of a multi-polar world are nonetheless different in at least a couple of ways. One is the simple pervasiveness of everyday, anytime interactions among people from different national and ethnic backgrounds. Another is the non-hierarchical nature of those interactions.

This last issue must be delicately approached, but it is nonetheless a reality for many companies: It is no longer necessarily the case that management is located in a traditional developed nation, with some operations located in low-cost, emerging nations. A mining company's employees in Switzerland might report to senior executives in Brazil; the business-unit lead for a team in London could be located in Bangalore; a team working at a development and delivery center in Topeka, Kansas, might be waiting for work coming from colleagues in Warsaw, Poland. (For a related article, see "M&A: Handle with care," *Outlook*, September 2008.)

Being successful in this new kind of global environment takes us back to the behavioral dimensions of leadership. That is, culture "awareness" is important but will be effective only to the extent that leaders serve as exemplars—demonstrating and modeling new behaviors toward all cultures and peoples in their organizations.

In some cases, effectively managing change in a multi-polar world will mean creating a new, more common

culture that brings together and harmonizes characteristics of different groups. In other cases, subcultures or nuances of the common culture can or must continue to exist. A unified culture can be an ideal, but it may be unrealistic; trying to force-fit different peoples together into a perfectly harmonious whole may inadvertently alienate the workforce and undermine the entire change program. Nevertheless, common ground can and must be created.

What do effective leaders do to plan and execute complex cultural change programs in a multi-polar world?

First, continuing a general theme here, when it comes to building a new culture, it is essential to focus on behaviors rather than just attitudes or "sensitivities." Culture is more than a concept; culture change must be converted into specific behaviors that are defined, enacted, reinforced and measured.

Second, a related point: Understand and articulate the cultural components that are "above the line" versus "below the line" (see chart, page 3). By above the line, we refer to cultural indicators that can be seen and experienced: symbols, slogans, ways of communicating and so on. Those are explicit levers that an executive can actually pull. But below-the-line components are deeper, more substantive things—values, morals, preconceptions—that cannot be directly manipulated. A good change leader is always aware that, ultimately, it's the values that must be changed—but this cannot be accomplished by direct "assault."

Finally, put measures in place that are aligned with the behaviors you need. If you want people to be more effective collaborators in a multi-polar environment, more capable of

A good change leader is always aware that, ultimately, it's the values that must be changed.

innovating, then you cannot have all of your metrics focused solely on individual performance or on driving out costs. If you put mutually competing measures in place, be clear about priorities and trade-offs; if this doesn't happen, unintended and undesired outcomes will surface.

The most effective change leaders we know have a relative handful of critical metrics that they look at on a weekly, monthly or quarterly basis. They are relentless in tracking those behaviors, outcomes and results, and they correct course at the right times to hit their marks.

Educate, measure, inspire

Several dominant themes emerge when we look at what's needed to successfully manage change in a multi-polar world, creating the right leadership behaviors and cultural mindsets to drive high performance: educate, measure and inspire.

First, real leaders aren't good merely at decision making. In a multi-polar world, "CEO" also stands for "chief education officer." A stumbling point for many organizations on a major change journey is that the top level of management has often moved on emotionally toward the new destination before many others have even started on the journey.

An effective CEO needs to step back and bring people along, to educate

them, even if doing so is a distraction, or even boring. The new world is not one where an executive can simply say, "Do this." There is a critical educational component that must be exercised first. Leaders must be both learners and teachers.

Second, effective change leaders put metrics programs in place to measure progress—especially in areas, such as leadership and culture, that are often perceived to be more art than science. Yes, leadership effectiveness can be measured; so can cultural mindsets. Take a baseline measurement, conduct frequent reassessments and then be prepared to correct your course.

Finally, there is an inspirational component to effective change leadership. Yet true inspiration must go beyond mere rhetoric. In a multi-polar world, inspiration and charisma are, as our colleague Bob Thomas, head of the Accenture Institute for High Performance Business, has written, really a matter of what he calls "neoteny"—the capability of remaining forever young, and therefore more capable of riding the changes in store in a multi-polar world. Every day, Thomas writes, these kinds of leaders "wake up and fall in love with the world all over again."²

That's the kind of leader needed to successfully navigate change in a multi-polar world.

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