



■ Mastery III

Change Management

Disturbing the system

By Peter Cheese

In today's volatile business environment, successful organizational change is a process of ongoing adjustment at all levels of the organization. And it requires leaders whose primary role is to establish context, provide the energy, and then challenge and encourage innovation and risk taking.

■ Is your company about to embark on a major change program? Before you take the plunge, consider the following: Although the ability to manage change successfully is a characteristic of high-performance business, recent research indicates that as few as one in four major change programs succeeds.

High performance involves maintaining excellence, not just this quarter or the next, but over time—through business cycles, industry disruptions and leadership eras. So it is important to understand why so few change programs are sustained. In a recent survey conducted by the Accenture Institute for High Performance Business, senior executives in 14 industries reported that the benefits of major change initiatives in their organizations had been delayed substantially or even negated because management misread the need for change, paid too little attention to implementation, underestimated the need for leadership or was too easily distracted by other concerns.

Diagnosis and prescription in this area is tricky, however. Successful change programs involve a careful balance of “left brain” skills—the logical and analytical—and “right brain” skills—the intuitive and synthetic. Persistence is essential if organizations are to sustain the change journey and not become distracted and lose interest; but they must also be able to adapt and learn along the way. Leaders must define the context, set objectives, measure progress, and put in place the right processes and tools to support and enable the change.

Yet even more important to successful change programs are the human skills of listening, inspiring and leading, coaching and mentoring. In other words, both sides of

the organizational “brain” must be engaged if major change programs are to succeed.

Drawing on lessons from the natural world, organizations should be viewed less as fixed structures and more as complex adaptive systems—like ecosystems. Organizational change actually occurs through the interaction of a number of different agents. It is a process of ongoing adjustment at all levels of the organization; it requires the continual replenishment of energy and a structure that allows for self-organization, distributed intelligence and continual learning.

If executives can look at an organization this way, they will be inclined to consider their own roles differently—not only as managers or directors but as “disturbers of the system,” whose primary role is to establish context, provide the energy, and then challenge and encourage innovation and risk taking.

The context of change

At the same time, however, managing change, like managing any complex system, is not about practicing some esoteric art form, with ill-defined boundaries and approaches. There are, in fact, some proven ways of understanding change, as well as proven tools, technologies and approaches to help enable and manage it. Together these add up to new ways not only to develop and encourage change management as a key leadership capability but also to master a competency critical to creating a high-performance business.

Just as leaders must learn to see their organizations in different ways, they must also understand how context defines any particular change program. What is driving the change, and what are the most appropriate ways to effect that change?

When British Prime Minister Harold Macmillan was asked what made his job most difficult, he famously replied, “Events, dear boy, events.” Half a century later, the pace of events is rapidly altering the context in which organizations operate, making it ever more challenging for business leaders to respond appropriately.

For example, the economic events of the past few years have been the context for many short-term cost-cutting initiatives. In such a context, management sees a proverbial burning platform, reacts quickly, then drives a programmatic change process requiring strong program management skills, strict accountability and firm leadership. Management of these change programs proceeds along hierarchical, command-and-control lines, with little empowerment or engagement beyond a core team or on a need-to-know basis.

However, as Macmillan clearly understood, life is uncertain, and we can’t control all the events that affect us. Successful organizations are adept at anticipating and sensing the need for change. They are able to exist with uncertainty and contradiction yet still can act and execute effectively. Perhaps most important, these change leaders are also able to bring the organization and their people along on the journey of transformation—no mean feat when one considers that people generally are not comfortable with change and uncertainty.

Transformational change is characterized by a significant shift in strategy and capabilities to align with new realities. It must be more open than programmatic change, and it requires the engagement and empowerment of the wider organization. The objectives of a transformational change may be well defined, but the destination can

be less certain and predictable. The course of change may well need to be replotted many times along the way in response to shifting circumstances.

A successful transformational change management program has a number of key characteristics.

1. Innovation from the bottom up

Transformational change, by definition, embraces new thinking, new ways of working or new solutions, new products and services, and new ways to serve customers. Therefore, innovation is an absolute requirement for any successful change journey. Innovation flourishes in environments and cultures that value diverse perspectives and recognize that intelligence is distributed throughout an organization. To tap into that intelligence and to ensure that everyone is working together toward common goals, leaders must encourage and support communication—cultural as well as technological—across traditional boundaries, and provide ready access to people and key resources at all levels.

Tools and technologies are available to facilitate collaboration and sharing, knowledge capture and communications in support of those goals. These tools include e-learning, collaboration technologies, content management techniques, expert searches and portals. Their use is being accelerated, in part, because they enable transformational change programs.

Take, for example, the case of BP, one of the world’s largest petroleum and petrochemicals companies. A few years ago, to support a new growth strategy, the company’s US-based Mid Continent business unit set aggressive goals for increased production across its assets. BP’s leadership understood

Tools and technologies are available to facilitate collaboration and sharing, knowledge capture and communications in support of goals.

that programmatic change with a focus on project management would not produce the necessary results. Instead, what the company needed was a way to engage the entire organization in the change challenge, and tap the innovation and wisdom available across operational and functional boundaries, and on all organizational levels.

Over time, BP has seen a discernible change in its culture as a result of this innovation and change initiative. Says Iain Conn, group chief executive of petrochemicals for BP, “Innovation is now embraced by the employees and leadership teams, and is considered a primary driver for future business growth. The results have been increased production and reduced production costs, both of

which have had a direct impact on BP’s bottom line” (see box, below).

2. Ubiquitous leadership

While programmatic change requires focused, top-down leadership to drive the necessary improvements in operations, transformational change requires effective leadership at all levels. In Accenture’s experience, employees on the front lines are often the ones who first sense the need for change and want to be engaged in helping to drive it.

Resistance to change often comes at the very levels where it most needs to take effect: with middle management. There are a number of reasons for this. Middle managers may not understand the change program,

they may be ambivalent about it, at times they may not even trust it. To overcome this resistance, leaders at all levels must be willing and able to articulate the new strategy and the context for change, and must be able to inspire employees, rallying them to the cause.

This kind of leadership is something that is done *with* people, not *to* people, and it can be developed. The employee commitment and engagement that it creates also pays off—something of real importance at a time when both external and internal surveys are showing low employee engagement at many companies.

The difficulty of developing this new style of management and leadership should not be underestimated. Many

BP’s innovation workshop

In BP’s US-based Mid Continent business unit, aggressive goals were set for increased production across its assets (see story). BP leadership knew that merely supporting this strategy with efficient project management skills would not in itself produce the necessary results. What the company needed was a way to tap into the innovation and wisdom of the entire culture, to get everyone performing in new ways.

BP began with what the company called an “innovation workshop,” which successfully laid the foundation for the change program by using dialogue and shared ideas to clearly establish the context of change. What was happening in the company and the marketplace, and why? If people did not change their manner of working, what would be the most likely results? What was Mid Continent’s destination on this change journey? What role did each individual now have to play to reach that destination?

One important outcome of the workshop was the decision to give responsibility for the new innovation program to those closest to the production and business challenges: the field organization. BP’s innovation team interviewed field personnel, asking them for quick-fix ideas that would lead to increases in production, morale and efficiency.

Those submitting ideas agreed to present their thinking to the Mid Continent leadership, and also to take ownership for the implementation of their ideas. The results: Within just two weeks, approximately 300 ideas were submitted. Just one of the ideas—removing wellhead restrictions in one of the business unit’s assets—resulted in significant annual savings.

executives and managers got where they are today through successfully applying a top-down, programmatic style of leadership. Learning to listen for wisdom throughout the entire organization—and then actually using it—is harder than it sounds. Still, it can be done.

Consider the Bank of Ireland, where a team approach to leadership development was a key aspect of a transformational change program. To accelerate and sustain the behavioral change necessary for the bank's IT solutions department to function in new ways, a team of senior executives worked on so-called leadership group support programs—a collective approach to building leadership skills both individually and as a team.

The program combined leadership skills analysis, general leadership development sessions, and individual leadership coaching and mentoring. At retreats and other off-site events, participants were asked to focus on dialogue and on listening, rather than on simply devising strategies or developing particular tools or methods.

3. Engaging the organization

Most executives know that communication is essential to successfully navigating major change programs. But communicate what? In what style, at what times? And through which media and channels?

Communicating during major change is primarily a matter of engaging people. Making them aware—giving them an understanding of the context, and ultimately persuading them to support and sustain the change—requires both consistent communication and a tailoring of the content and method of communication to different audiences at different points on the change curve. Commu-

nication is not just something that comes from the change sponsors; it also comes from local action teams, change networks and pulse groups, and from the project teams themselves. What's more, only deep and sustained engagement can counter the distractions and disturbances that can transform enthusiasm into disillusionment and disengagement.

Face-to-face dialogue must be part of the mix of communication and engagement. However, communicating more widely and quickly is also essential to global companies. Today, we have the opportunity to communicate using many different channels, engaging people through multimedia formats, intranet portals and online learning programs.

With all of these communication options, leaders can respond rapidly to critical change challenges, including post-merger integration. Following the merger of Hewlett-Packard Company and Compaq Computer Corporation, for example, HP quickly and effectively had to integrate the two organizations at all of its locations around the world. At Hewlett-Packard Norway, executives focused on understanding current employee behaviors and identifying where changes were needed to achieve the vision of a unified HP. These leaders further recognized that the real challenge of integration would come when HP Norway formally merged its people and resources into one new, shared facility.

Executives used several tools to facilitate communications and support the overall change program. To help broaden awareness of the cultural implications of the change, HP Norway created an e-survey. This tailored, web-based survey was distributed to all employees to identify cultural similarities and differences

Changing behaviors is not just about giving employees new goals and roles.

between the pre-merger HP and Compaq workforces, attitudes toward the integration, and areas of potential risk. The e-survey helped executives understand workers' expectations, assess their awareness of HP core values and develop programs to guide a smoother transition.

HP Norway also developed a communications and knowledge-sharing portal to support the change program. This portal, integrated with the company's existing website, provided practical information (for example, "Where will my workspace be located in the new facility?"), as well as updated messages from HP leaders that addressed workers' expectations and kept everyone focused. The portal was widely used, logging 10,000 hits in the month prior to the move.

The company estimates that the successful integration—thanks, in part, to the effective change program—reduced the amount of time spent on internal processes by 20 hours per employee. The successful communications effort—primarily via the integration portal—reduced the amount of time spent on internal communications and information searches by 15 hours per employee.

4. Developing new skills and behaviors

Essential to the successful implementation of change are training programs that develop in employees the skills and behaviors they will need to perform in the new business program. Changing behaviors is not just about giving them new goals

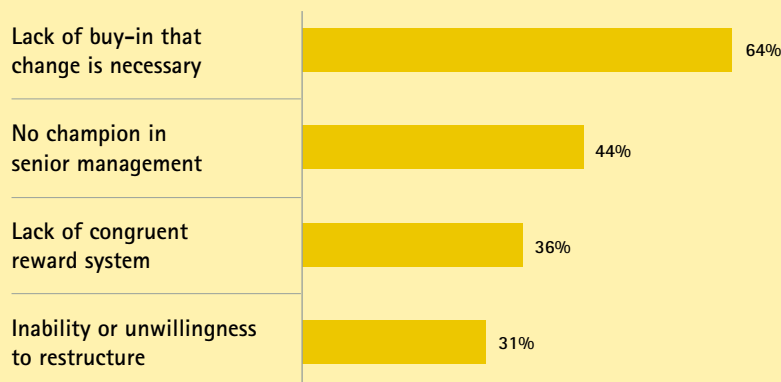
and roles. New technology-based learning tools enable workers to master new skills faster, and help them more quickly become comfortable in the new ways of working.

E-learning has been a key part of the transformational change program under way at a major European resources company, where a multiyear, multirelease plan is introducing a comprehensive CRM system across the business's several locations. Company leadership has been visionary in its determination to ensure that the new solution is not just effectively deployed but also realizes its full value potential.

Taking a holistic approach to training and supporting the workforce, this company implemented a suite of sup-

What went wrong?

Despite the fact that change is ever more critical to sustained high performance, managers are neither trained nor rewarded for leading such change. This was the simple but dramatic lesson drawn from a study recently conducted by the Accenture Institute for High Performance Business, in which executives in 14 industries identified (in the percentages shown below) the following reasons why the benefits of major change initiatives had been substantially delayed or negated at their companies. All the reasons center around commitment.



SOURCE: ACCENTURE ANALYSIS

port processes, including business engagement and communication, to help people understand how the transformation affects them personally and to prepare them for training; training and learning opportunities so that people are proficient at using the new processes and applications; and performance support to reinforce the new ways of working after the training is over. The majority of new training for the company was developed as e-learning modules, using a scenario-based approach to instructional design within each module.

5. Metrics to track progress on the journey

Along with the “right brain” skills of leadership, engagement and encouraging bottom-up innovation, transformational change also requires some “left brain” techniques, like measuring the progress of change. Any change entails a variety of different dimensions, and successful change leaders measure and understand these dimensions while taking action to manage the journey effectively.

Such organizations use traditional program management techniques to track the progress of each element of their various change initiatives and budgets. They understand the value drivers and business case, and they track achievement against these objectives carefully. They also embrace the use of new tools that allow them to gauge their organization’s readiness and willingness to accept upcoming change, and they use performance management techniques to align the organization to the right goals and objectives.

Senior executives at pharmaceutical group Wyeth, for example, recognized that the company’s new strategic and business goals would create different pressures on its research

and development unit. Initial analysis of the R&D organization underscored the need for Wyeth’s four research sites, which had previously operated independently, to coordinate their efforts so leaders could prioritize initiatives. Wyeth set out to create a new way of working—one that would empower teams, offer better guidance in the use of emerging technologies and improve governance.

The company also knew it needed to create a new culture of accountability, which meant establishing the right metrics and baseline so that it could assess progress on the change journey. A performance management team first identified what behaviors and processes could be measured, and then set performance goals. What emerged after two months was a well-crafted list of organizational objectives—objectives that managers three levels down could use to help reinforce the new organizational goals.

The team then defined the performance metrics that both groups and individuals would use to measure progress. A scorecard clearly laid out goals and provided a quantitative method of assessing how well individuals and groups were performing. Evaluations now occur on a quarterly basis. “There’s no mystery about it. Keeping people’s eyes on the ball will help improve performance,” says Bruce Schneider, Wyeth’s senior vice president of research operations and planning.

Someone once defined insanity as doing the same thing over and over, expecting different results. As leaders survey their own organizations, the marketplace and the competition, they must now apply different techniques to cope with the accelerated pace of change and the growing

competitiveness of the marketplace. Methods that worked during steadier, more stable times will fall short when it comes to transformational change.

Accenture research into the characteristics of high-performance organizations shows that sustainable success is achievable, even during times of extraordinarily rapid change. Such success, however, requires developing change management capabilities within the organization, developing a culture of ubiquitous leadership and innovation, and creating an organization that learns and adapts. ■

About the author

Peter Cheese is the global managing partner of the Accenture Human Performance service line. With more than 20 years’ experience in consulting, Mr. Cheese, who is based in London, has led and supported large programs of change across a number of organizations and industries. He is responsible for developing Accenture’s practice across all the areas that support human performance, including HR transformation programs, learning, knowledge management and performance management to drive workforce productivity, and top-down analytical approaches to understand human capital strategy, value and returns on investment.

peter.cheese@accenture.com