

Powerful Insights. Proven Delivery.™

Change Management in a Down Economy: Connecting with Employees to Increase the Odds of Success

protiviti®
Risk & Business Consulting.
Internal Audit.



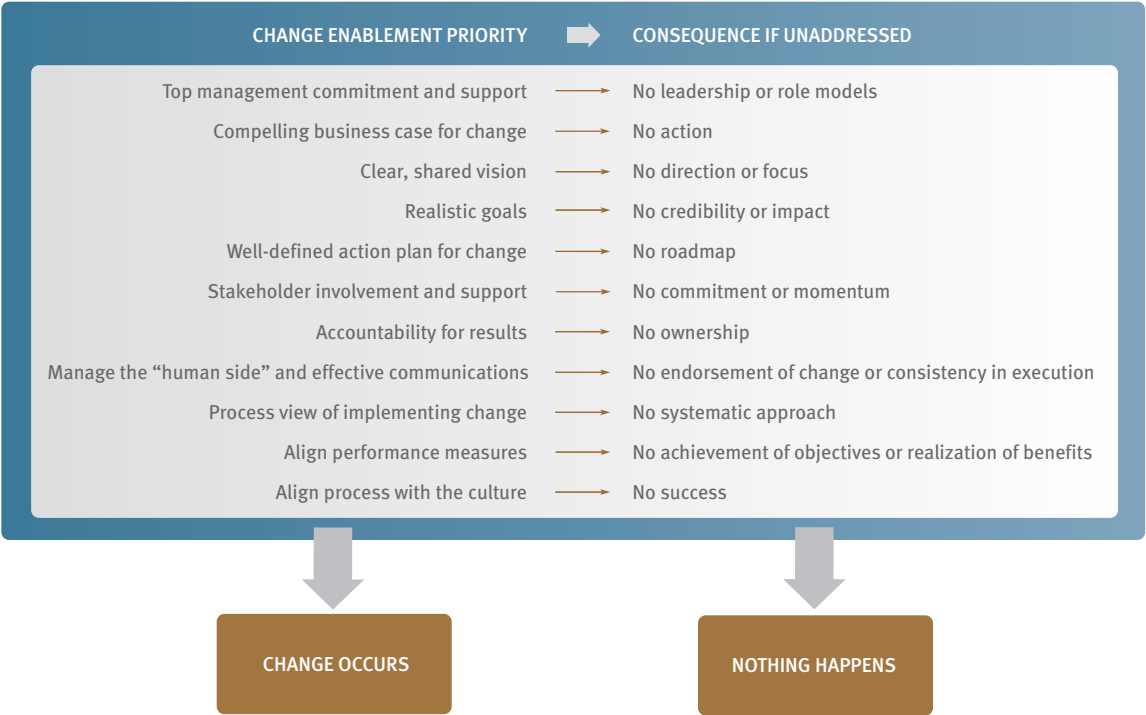
Change is inevitable. It is a recognized necessity in business, as it is in life. And at no other time has the need for change been more apparent than during the current economic crisis. Fundamental changes to our regulatory systems, business models and management philosophies lie before us. In these challenging times, the most effective organizations will be those that are able to adapt and to respond to shifting priorities. But before this can happen, organizations need to understand how their employees are likely to deal with change (e.g., will they act as facilitators, obstacles or saboteurs?) and how they can be motivated to accept – and even embrace – change.

CHANGE MANAGEMENT: A RISKY PROPOSITION

Change management is an established method for coping with the continuous process of change. It is a recognized management discipline and a structured approach to helping organizations and individuals deal effectively with shifts in strategy, organizational structure, policies and business processes.

However, understanding that change must and will occur, and having a process to manage that change, does not make it any easier – especially as employees deal with heightened anxiety levels.

According to a *Harvard Business Review* study,¹ companies realize only about 60 percent of their strategies’ potential value because of defects and breakdowns in communication and planning. The uncertainties posed by a down economy, and the pressure cooker environment that it fosters, add significantly to the overall stress level and possibility for failure. When companies face undue pressure and change enablement priorities are left unaddressed, an organization may experience an array of consequences. Some of these consequences are listed in the chart below.²



¹“Turning Great Strategy into Great Performance,” *Harvard Business Review* (HBR), Michael C. Mankins & Richard Steele, July-August, 2005.

²Adapted from *Guide to Enterprise Risk Management: Frequently Asked Questions*, page 67, Protiviti, January, 2006.

As many executives may attest to, and countless studies have revealed, change management programs have a significant track record of failure for an array of reasons. As shown in Table 1, there are clear indicators of risk that a change initiative may falter. Above all, organizations must realize that there may be a general reluctance to embrace change. Inertia is comforting, especially with heightened anxiety and the fear of the unknown as the alternative. There are four phases in the individual change process: denial, resistance, exploration and commitment. Organizations must guide employees through these phases to confront this natural resistance until they are fully bought in and “own” the changes.

Table 1: Identifying the Risks in Change Management

Risks	Risk Indicators
A general lack of a sense of urgency	<ul style="list-style-type: none"> • Disproportionate length of time spent evaluating the change • Lack of executive management sponsorship of the change • Stakeholder void in terms of their involvement in implementing the change • Lack of clarity as to the benefits of change (both short-term and long-term)
A lack of a compelling vision and strategy that identifies tangible business and technical objectives	<ul style="list-style-type: none"> • A compelling, shared vision of the future state that provides clear direction for positive change does not exist, including: <ul style="list-style-type: none"> – Scope – Realistic goals and objectives for the change initiative – Articulation of the “what’s in it for me” for everyone expected to contribute to the implementation process
Little evidence of executive management sponsorship and alignment of initiative with management’s vision and strategy	<ul style="list-style-type: none"> • Presence of a strong leadership team, aligned on strategy, committed to act aggressively with all employees, and willing to adopt advanced tools and methodologies for change, does not exist • Lack of alignment in terms of organizational, process and individual performance metrics and measures (i.e., individual performance measures are not aligned with the objectives of the change initiative or closely linked to the overall business strategy) • Failure in articulating and aligning performance expectations with established metrics and measures • Failure to deploy metrics and measures to monitor performance against established expectations
A formal communication plan for change does not exist	<ul style="list-style-type: none"> • Communication plan for the change initiative does not exist • Lack of a common language (i.e., a shared terminology) essential to describe and deal with change • Adequate number of facilitated sessions has not been held to discuss changes and identify areas of improvement to ensure a successful implementation of the change initiative • Formal communications are not reinforced through training on defined employee roles and responsibilities
Lack of clarity of, or focus in, the messaging	<ul style="list-style-type: none"> • Small number of employees who declare to have clearly understood the vision, mission, policies, objectives and changes made relative to the total number of employees • Prioritized list of groups targeted for communications, including samples of audience and individuals who use the communications to make decisions, does not exist • Lack of timeliness in communications delivery
Lack of feedback and re-evaluation	<ul style="list-style-type: none"> • Mechanisms used by employees to ask questions and express ideas, thoughts, concerns and issues do not exist • Use of employee surveys or focus groups to determine whether communications are in touch with the state of the company do not exist

Next, change may fail when an organization does not consider the culture as it exists today before a change is attempted. One of the downfalls of some highly touted business management methodologies, such as Six Sigma, is the inability to help organizations realize the importance of behavior change. At 3M, a highly innovative organization, management faced a challenge that questioned some of their fundamental values and beliefs after the introduction of Six Sigma. A corporate shift in focus toward profitability and process discipline had massive cultural ramifications.³ Often multiple “subcultures” and different approaches also are needed in distinct geographies or functional locations of the organization, which may cause another type of cultural conflict.

Finally, lack of senior leadership sponsorship or inconsistency in messaging may affect the outcome. In each new initiative, there is a need to build a powerful business case to provide the rationale and economic justification for change. Communication starts at the top with the statement of a clear vision, and key decision-makers must deliver this message organizationwide. Obtaining stakeholder commitment and mobilizing employees will increase the ability of an organization to change.

CHANGE MANAGEMENT THEORIES

Change management theories are typically directed toward the identification and mitigation of the “people” risks. Many models have been used over the years for change management initiatives, including Kurt Lewin’s change management model. Lewin, a social scientist, was a highly influential thinker in the area of organizational development. He introduced a three-step change model that encouraged managers to be aware of two kinds of forces of resistance: social habit or custom and an inner resistance to change. The roots of resistance lie in the interplay of the overall group dynamics and the individuals within it. His theory mapped three steps in the change management process:

Step 1: Unfreeze the existing situation or status quo. Unfreezing is deemed necessary to overcome the strains of individual resistance and group conformity. To lay the foundation for change, people must know that conformity with the status quo is no longer acceptable and why that is the case.

Step 2: Manage where the change occurs. This is the stage where there is uncertainty and transition. The organization at this point is aware that there is a challenge to the status quo, but it does not have a clear idea on how to replace the existing methods with better ones. As this step unfolds, clarity of expectations and methods is the order of the day.

Step 3: Freeze the changed state. This is where the new mindset is solidified and the comfort level of the organization returns to its previous state. Steadfastness, persistence and reinforcement are critical during this step.

CHANGE AND THE ROLE OF EMPLOYEE COMMUNICATIONS

The initial idea of change can be unsettling for a workforce comfortable in its established routine. That is why effective communication underlies every successful change effort. A behavior-focused approach creates sustainable change. It helps workers modify the way they feel and think about their jobs by aligning attitudes and behaviors with the system and process changes, as well as the overall company direction.

Organizations must consider employees as complex individuals who are driven by mental, emotional, spiritual, physical, social and environmental factors. In order to educate and engage employees in a change effort – and allay their fears – the organization must seek to understand these factors and what inspires employees’ thinking.

³“3M’s Innovation Crisis: How Six Sigma Almost Smothered Its Idea Culture,” *BusinessWeek*, June 11, 2007.

AN EMPLOYEE PERSPECTIVE: THE FIVE ESSENTIAL QUESTIONS

With this insight into the employee base and culture, there are five core questions that each employee is likely to have. The following questions need to be addressed to develop a holistic communication campaign:

1. What Do I Need to Know?

The answer to this question represents the foundation of knowledge that employees must retain to function in their jobs in the new, post-change environment; the means by which employees must develop the skills and knowledge to support the change; and the formal approach the organization will require employees to undertake for skill and competency development. The response must provide employees with clarity around their roles, responsibilities and accountabilities. And, it must create awareness.

2. Can You Remind Me Again?

Constant reinforcement is a core part of the learning continuum and an essential aspect to the change process. Once the initial training is complete, only a small percentage of information is retained. After all, just like consumers, the average employee encounters 3,000 advertising messages each day. Ten connect. Three can be recalled the next day.⁴ In any environment, there is a need for a steady dosage of reminders and implementation tips until they become established norms.

3. Why Do I Need to Know This?

“Tell me and I’ll forget; show me and I may remember; involve me and I’ll understand” is a Chinese proverb that captures the essence of this question. The vast majority of employees want to understand the bigger picture and create and establish a link between the change effort, their role and the organization’s vision for success. Understanding the context of why change is needed and having the ability to voice their concerns or suggestions enables employees to progress from awareness to buy-in, which increases the likelihood that the change will be embraced and followed.

4. Do You Know What I Know/Have Accomplished? And How Do You Know?

Without exception, employees want to be respected as competent workers, and they want to ensure that management understands whether they have complied with, participated in or actively engaged in the change process.

This question specifically addresses the need to measure the effectiveness of the communication effort through testing employees’ knowledge or soliciting their opinions and thoughts. It addresses whether employees understand the change effort and their preparedness to help drive the transition. When this fundamental principle is applied in the new, post-change environment, it begins the transition from buy-in to ownership, where employees own the new process or system.

5. What’s in It for Me (WIIFM)?

This question addresses recognition programs and the underlying motivations that power an employee’s actions. Recognition and incentive programs reward employees for performance, improve morale, and reinforce widespread adoption of corporate best practices. Explaining WIIFM and reinforcing it through the reward system is the most effective means possible for cementing ownership change.

Managing a multigenerational workforce – and a multigenerational workforce is most common – means understanding the unique WIIFM for each distinct generation: “Gen-Yers,” “Gen-Xers,” “Baby Boomers” and “Traditionalists.” According to the book *Loyalty Unplugged*,⁵ it is important to consider generational characteristics as one lens through which to examine employee motivators. For example, Gen-Yers are known to be loyal to their peers and driven by the desire for meaningful work and work/life balance. Gen-Xers are known to be loyal to their managers, unimpressed by authority and driven by the desire for independence. Baby Boomers are often classified as loyal to the team, and tend to challenge authority and measure their lives through career accomplishments. Finally, Traditionalists are loyal to the organization, respect authority and are driven by a pay-your-dues mentality. These intrinsic motivators are critically important, and organizations must understand them to realize the change they want to see.

⁴*Data Smog: Surviving the Information Glut*, David Shenk, HarperCollins Canada, 1997.

⁵*Loyalty Unplugged: How to Get, Keep & Grow All Four Generations*, Adwoa K. Buahene, Giselle Kovary, Xlibris Corporation, February 2007.

CHANGE BEGINS AND ENDS WITH PEOPLE

People are the lifeblood of an organization and the most important element in the change management process. They ensure plans are translated into action. Although it is difficult to embrace a new approach, by proactively addressing each question in the communication planning process, organizations can successfully introduce change.

ABOUT PROTIVITI INC.

Protiviti (www.protiviti.com) is a global business consulting and internal audit firm composed of experts specializing in risk, advisory and transaction services. We help solve problems in finance and transactions, operations, technology, litigation, governance, risk, and compliance. Our highly trained, results-oriented professionals provide a unique perspective on a wide range of critical business issues for clients in the Americas, Asia-Pacific, Europe and the Middle East.

Protiviti has more than 60 locations worldwide and is a wholly owned subsidiary of Robert Half International Inc. (NYSE symbol: RHI). Founded in 1948, Robert Half International is a member of the S&P 500 index.

ABOUT CREATIVE OPTIONS, A PROTIVITI COMPANY

Creative Options (www.creativeop.com), the internal communication and training group of Protiviti, designs custom communication tools that help organizations connect with their employees – improving compliance to internal controls and enhancing employee engagement.

We combine the subject-matter expertise of Protiviti with decades of communication design experience. From print and interactive training to compliance tracking tools, we assist organizations across the globe in addressing breakdowns in internal communication via the use of educational media.

For additional information about the issues reviewed in this white paper or our services, please contact:

Pat Quinn
Managing Director
+1.519.746.6644, ext. 116
pat.quinn@protiviti.com

Jim DeLoach
Managing Director
+1.713.314.4981
jim.deloach@protiviti.com

THE AMERICAS

UNITED STATES

Alexandria	Kansas City	Salt Lake City
Atlanta	Los Angeles	San Francisco
Baltimore	Milwaukee	Seattle
Boston	Minneapolis	Silicon Valley/ Santa Clara
Charlotte	New York	Stamford
Chicago	Orlando	St. Louis
Cincinnati	Philadelphia	Tampa
Cleveland	Phoenix	Vienna
Dallas	Pittsburgh	Woodbridge
Denver	Portland	
Fort Lauderdale	Richmond	
Houston	Sacramento	

BRAZIL

São Paulo

MEXICO

Mexico City

VENEZUELA

Caracas*

CANADA

Kitchener-Waterloo
Toronto

PERU

Lima*

ASIA-PACIFIC

AUSTRALIA

Brisbane
Canberra
Melbourne
Sydney

INDIA

Bangalore
Mumbai
New Delhi

SINGAPORE

Singapore

SOUTH KOREA

Seoul

INDONESIA

Jakarta**

CHINA

Beijing
Hong Kong
Shanghai
Shenzhen

JAPAN

Osaka
Tokyo

EUROPE

BELGIUM

Brussels

FRANCE

Paris

GERMANY

Düsseldorf
Frankfurt
Munich

ITALY

Milan
Rome
Turin

SPAIN

Madrid

THE NETHERLANDS

Amsterdam

UNITED KINGDOM

London

MIDDLE EAST

BAHRAIN

Bahrain*

UNITED ARAB EMIRATES

Abu Dhabi*
Dubai*

KUWAIT

Kuwait City*

OMAN

Muscat*

* Protiviti Member Firm

** Protiviti Alliance Member

Protiviti is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.

protiviti[®]
Risk & Business Consulting.
Internal Audit.