

The best path

Can altering
your approach
to change yield
better outcomes?



What would you like to change?

Your company is at the threshold of a complex, large-scale change initiative. Maybe it's a post-merger integration. Or an urgent regulatory mandate. Or a massive reorganisation around an enterprise-wide system that absolutely has to coincide with a strategic game-changing shift in the company's culture.

Your executive champions are passionate "change agents". Your award-winning communications team is world class. And you know that the lack of engagement or motivation among mid-level managers to drive change is your single greatest barrier to success. In short, you've done your homework.

But how do you know if your approach is the one with the greatest chance of success? It's a crucial question. Are you taking the right strategic approach to change?

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Prologue

Whistle-blowing usually commands attention – particularly when it leads quickly to public revelations of bribery incidents and violations of the U.S. Foreign Corrupt Practices Act (FCPA).¹

That was the situation a US-based international bank encountered on its way to rapidly expanding its investment management services across the world – to Germany, the Netherlands, the UK, India, the Far East, and as the anonymous whistleblower’s letter implied, to the Ukraine.

The sanctions imposed by the U.S. Security and Exchange Commission (SEC) for violation of the FCPA rules were sweeping. They included a mandatory re-design of the company’s entire compliance programme within six months – and the SEC’s formal approval of the new global programme upon its completion.

Two days after the sanctions were announced, the London-based Chief Operations Officer (COO) met in the bank’s Frankfurt offices with other senior executives. The purpose of the meeting was to assess the urgency and risks associated with meeting the SEC’s demands and begin forming a consensus on the full extent of the changes required.

Although not entirely obvious to every corporate chief in the room, one of the crucial obstacles – and a long-standing challenge to the firm’s future growth – was cultural. Most employees were unfamiliar with key regulations and, in fact, tended to dismiss compliance as “something the compliance function does.”

“One of the decisions we need to make rather quickly,” noted the COO, “is whether we should try to dictate the necessary changes or take a softer stance.”

She scanned the faces around the table. “Should we take a top-down, we-know-best approach? One that focuses on compliance and seeks to reduce their resistance while achieving ‘buy-in’ to the new programme’s requirements?”

The COO paused. “Or should we take a bottom-up, you-know-best approach that invites our peoples’ ideas and is more likely to yield a fundamental cultural change that embeds compliance more deeply within the DNA of our operations?”

As the morning passed, the team examined many factors. Such as the complexity of the challenge. The impacts on culture. The inherent risks.

Finally, the meeting ended and the executives dispersed, satisfied with their consensus and reasonably confident that they had landed upon the right change approach.

As it turned out, however, they hadn’t.

¹ Based on several different actual events, this composite scenario has been compiled to illustrate key concepts addressed in this paper. Some details have been altered to preserve anonymity and protect privacy.

An uncommon question

Is this the best path to change – and, if so, how do we know?

Most studies of change initiatives focus on why the vast majority fail. It's time to point the spotlight in precisely the opposite direction: on why the very few that achieve their objectives do so – and what sets them apart.

Evidence of a shorter, straighter path to change will be welcome news to business leaders responsible for getting thousands of people to change a critical facet of their current actions, beliefs or behaviours – to, in effect, shift as one like birds in flight and suddenly head in a different direction.

After all, the likelihood that change missions will not fully achieve their objectives is a well-known fact – and searching for the reasons why has spawned a wealth of studies and surveys for years.

The majority of these research endeavours, however, tend to focus on the implementation phase – on identifying the most common gaps and oversights, such as weak leadership support, poor communication and a lack of engagement with stakeholders and employees. These are important factors, of course – but tend to attract the bright glare of the executive spotlight at the expense of the “bigger picture”.

In fact, far too rarely is consideration and time given – by researchers, change practitioners, and senior executives responsible for the change initiatives alike – to whether or not the most appropriate approach to change has been chosen.

It can be a crucial question.

Why? First, because for every change situation, there is a ‘best-fit’ change approach – though finding it still requires the right balance between art and science.

Secondly, because if the best-fit change approach can be correctly identified early enough in the process, a rich tapestry of options – ranging from change approach styles to intervention strategies and techniques – can be brought to bear with considerable impact.

And finally, because the rewards can be strategic. Whilst sometimes challenging and often complex, defining the change approach best suited for the situation maximises the likelihood of achieving successful and sustainable change.

Are the payoffs compelling?

- Getting the change approach right can save time, minimise mistakes and avoid “change fatigue”.
- It can also accelerate key processes and increase executive confidence that outcomes targeted will be realised.
- At the same time, the right change approach can help ensure that appropriate levels of investments and resources are authorised and in place.

Why is defining the best change approach often compromised or overlooked?

- 1. Change experts often assume that “if it worked well before, it will work fine now”:** Change practitioners frequently choose the “comfortable” path – the one with which they are most familiar. This limits consideration of alternative approaches and different contexts.
- 2. Decision-makers tend to rely on “gut instincts” rather than informed judgements:** Too often, change management decisions are based on qualitative factors or an individual’s personal judgment. Recommending change approaches based on “gut feel”, however, often means key change leaders “don’t know what they don’t know”.
- 3. Opinions about “what is best” varies by vantage point:** Key stakeholders – such as the CEO, the lead communications executive and the internal change expert – tend to have different perspectives on the approach most likely to make the change successful and sustainable. Defining a best-fit change approach requires consideration of all these perspectives as well as the broader change context – a difficult task, but an essential one.

Defining a best-fit change approach

What exactly is a best-fit change approach?

At the most elemental level, the best-fit change approach is the road map to change that best meets the company’s objectives.

Rather than undertaking an exercise of “intelligent guessing”, determining the best-fit change approach requires a disciplined analysis of the business context for change.

Defining the best-fit change approach is both an evolutionary and an iterative process. One continues to collect information and insights necessary to determine *which combinations and sequencing of change approach styles, activities, techniques, tools and models are most likely to yield the most beneficial change outcomes for the organisation.*



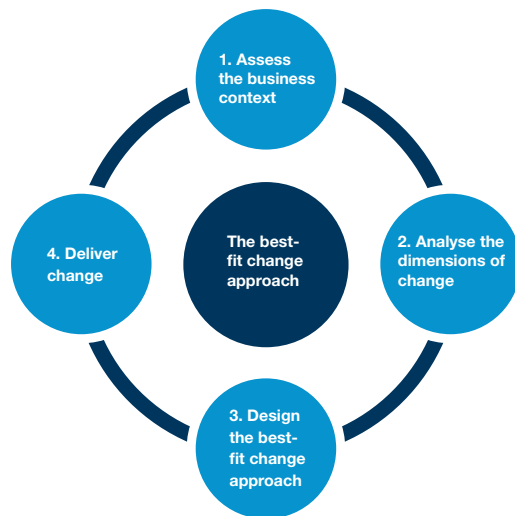
Selecting the right approach

How do we decide which change approach is best suited for us?

Planning for change is a much more disciplined, analytical and technical process than most executives realise.

The most successful processes include four stages: (1) assessing the business context, (2) analysing the dimensions of change, (3) designing the best-fit change approach, and (4) delivering change.

PwC's Best-Fit Change Approach Model



1. Assessing the business context

As a critical first step, programme executives must understand the broader business context for change including both external and internal factors as well as the strategic opportunities available.

Consider the external environment – the general attractiveness of the organisation’s industry and its competitive position within it. Is the business growing or declining? Is it a new venture or a stable concern? Is it in crisis or entering a “boom” phase?

A key driver of change is the organisation’s internal environment – its culture, structure, processes, people and technology. What is its size? Does it sell products or services or both? Is it centrally organised or decentralised, hierarchical or flat? Is the culture authoritarian or collegiate?

The context can clearly influence the direction on how best to manage change. As an example, implementing a large-scale ERP system implementation two months into an economic downturn and three weeks after major layoffs in the IT organisation would require a very different approach than the one initially envisioned a year earlier in a stable economic environment.

A critical priority: Finding (and resolving) hidden conflicts in approach – early in the process

- Business leaders often assume they are “aligned” in their approach to change.
- In fact, it takes a surprising level of rigor, persistence and experience to uncover and highlight these differences – and resolve them, collectively.
- This is true both among business leaders – and between leaders and their change advisors.
- Resolving these hidden conflicts isn’t just a leading practice in change management – it’s a crucial ingredient for success.

The nature of the organisation’s strategic business need – its strengths, weaknesses, opportunities and threats in relation to the external and internal environment – also influences the approach. What business problem is the change trying to address? Is it a process improvement or a system implementation? Is there a significant growth opportunity in the marketplace or is the need one for regulatory compliance or cost reduction?

Analysing the dimensions of change

A sampling of factors

Context for change

- **Predictability:** How certain are the outcomes of the change?
- **Urgency:** How critical is the need for change?
- **Inherent risk:** What are the consequences if the change fails?

Impact of change

- **Strategic shift:** Does the change require the organisation to re-think its operations, structure, or go-to-market approach?
- **Impact on culture:** Will the change require a shift in mindsets and behaviours?
- **Complexity:** What organisational elements are impacted? (e.g., people, process, technology, structure, and strategy)
- **Scope:** How wide and deep is the change?
- **Personal affect:** How much emotional impact will the change have on employees?

Organisational readiness for change

- **Felt need for change:** Is this a change employees support? Is the business case compelling?
- **Change capability:** Is the organisation experienced with large-scale change?

This is where the company's strategy comes into play. How does it differentiate its products or services from competitors? Is it in customer service? Or innovation? Is it a relentless focus on high performance? Or a cutting-edge approach to capturing and sharing knowledge with its people and partners?

Taking these factors into account – the internal and external environment as well as the organisation's strategic requirements – provides the critical context necessary to understand the organisation's position in the marketplace and begin shaping the change approach profile.

2. Analysing the dimensions of change

The next step to designing a best-fit change approach is to develop a more intimate understanding of the change situation. First, consider the context for change. Three factors – predictability, urgency and inherent risk – are key.

Predictability describes the degree with which we can reasonably predict the outcome. In other words, is this an initiative whose results can be anticipated or are completely unknown? Predictability is typically lower, for example, when companies are addressing a new set of challenges, such as meeting an initial deadline for new regulations.

Urgency, or the lack of it, is a key consideration because setting the right pace for change can have an enormous impact on whether changes are sustained over time.

Similarly, inherent risk – the risk that the company will face serious consequences if the change initiative fails – can be an important factor, especially for differing parts of the organisation. When inherent risk is high, leadership involvement is more critical.

Next, consider the impacts of the change. Is a shift in strategic direction required? Will there be changes in the way that the organisation operates, is structured or goes to market? What about the impact on culture – on mindsets and behaviours?

How complex will the initiative be? Will it impact only people and processes or also technology, structure and strategy? What is the project's scope? How many people will be affected and what will the impact of these changes be on them?

Whilst understanding the broader context for change as well as its impact on key stakeholders is essential, so is developing early insight into the readiness of stakeholders to accept a new way of thinking, working or behaving – our final dimension of analysis.

As change planners gather this information, it becomes easier to identify patterns and trends across the dimensions of change.

With keener insight, key decision-makers are better positioned to make judgements about what will drive or hinder the successful execution of change over the course of the project.

3. Designing the best-fit change approach

Once executives and their advisors have assessed the business environment and analysed the dimensions of change, it's time to define the best-fit plan and begin executing it.

Best fit change approach plans can vary widely depending on how executives and strategic planners combine three elements: change styles, activities, and techniques, tools and models.

The **style** of the best-fit change approach is the distinctive way that change steps are undertaken, expressed in terms of tone, pace, involvement and

interaction. The style is a defining hallmark for any change approach because it informs both the change activities and techniques.

Activities are the tactics that executives and strategic planners use to positively align, shape or reinforce actions, beliefs or behaviours within the organisation.

Techniques, tools and models represent the means of applying a best-fit change approach to a given situation. They range from visioning techniques and tracking tools to various methods of communicating and engaging with different audiences.

Tailoring the change approach to a particular set of circumstances requires determining the right combination of these elements.

Designing the best-fit change approach

A sampling of factors

Styles – The distinctive manner in which change steps are executed.

- Tone – Highly visible, cautious
- Pace – Rapid, gradual, drip-fed
- Involvement – Collaborative, top-down
- Interaction – Personal, group-based

Activities – The specific actions that drive change in the business. Examples include:

- Organisational aligners – Reinforcing strategic objectives or revising business targets.
- Organisational shapers – Improving processes, implementing a new ERP system.
- Organisational reinforcers – Establishing change champion networks, revising the remuneration and reward framework.

Techniques – The methods and practices that enable the interventions to be executed in alignment with the chosen styles.

- Visioning
- Communications – Emails, group calls, intranet posts
- Engagement – Meetings, workshops, interviews, coaching
- Tracking methods – Surveys, focus groups, one-on-one meetings



Case study:
tapping insights from the frontlines

A global pharmaceutical company targets change with new analytical rigour



As the afternoon waned, monsoon rains swept across the central business district.

The Chief Operating Officer of the company's biomedical manufacturing activities in Asia had just run through the meeting's objectives: determining the "ground rules" – or the "change approach" – that would define how the global pharmaceutical giant would introduce a significantly more robust set of project management practices.

The meeting included the company's full management team as well as its business advisors on this particular aspect of the initiative – a group of experienced change experts and practitioners.

I. Assessing the business environment

It was a well-informed gathering. The company's external business environment was already understood by everyone in the room.

Whilst sales in Asia were growing, increased competition and the rising costs of regulatory compliance had been placing growing pressure on costs and, by extension, on profits. Two days ago, the global pharmaceutical's external strategy advisors had submitted an exhaustive report that recommended embracing new disciplines in project management.

Confronting the company was the relative rigidity of its internal environment – the inherent tension between the large, product-centric pharmaceutical's highly centralised, hierarchical and authoritarian organisation and the company's poor history of successful, sustainable change.

First, the COO focused on ensuring that everyone had a common understanding of the company's objectives. "Our strategic business need is straight-forward," he said "We need to increase revenue, reduce cost and enhance our organisational capability."

"And to achieve these goals," he continued, "we are placing our strategic focus on getting much better at executing internal projects and realising benefits from them by insisting on greater project management discipline and rigour than we have in the past."

Turning to the advisor on his right, an expert in change management, the COO asked her to summarise the results of the analysis undertaken earlier that morning by one of the group's working committees.

II. Analysing the dimensions of change

"Yesterday, we asked each one of you take some time and fill out one of these," she began, holding up a single paper with a simple diagram on it. (See side box on next page) "We wanted your specific view of this initiative with respect to a few of the most strategic dimensions of change." She paused to answer a few questions and then continued.

“This morning we reviewed your comments – and discovered some critical differences in perspective between our business advisors and our leaders. Let’s take a few minutes and go over the comparative results. I think you’ll find some of them quite fascinating.”

Over the next hour, the team discussed a wide range of issues.

They talked, for example, about the predictability of the outcomes expected and the complexity of the implementation, given how many departments would be affected by the changes. They discussed how increasing competition and declining market share sharpened the urgency for change – though, to some extent, the company’s short-term focus made it difficult for some decision-makers, though not all, to acknowledge this urgency as a major planning factor.

It quickly became apparent that many of the company’s executives appeared to underestimate the complexity and scope of the project as well as the true impact of the change on the company’s culture.

The discussion grew most animated, however, when they began debating divergent internal and external perspectives on the organisation’s readiness for change. “This is a really key issue”, the COO emphasized, just before the group agreed to break for lunch.

III. Designing the best-fit change approach

When the group reconvened, the company’s change advisor and COO guided the attention of the group immediately to the crux of the decision in front of them.

Analysing the Asian pharmaceutical’s dimensions of change

Context for change



Impact of change



Organization readiness for change



The COO spoke first. “We’ve talked about many different aspects of the change objectives we’re pursuing. One dimension sticks out. In fact, some of us believe that – *for this particular initiative* – accurately assessing the organisation’s readiness for change will be the most significant influence on our change approach.”

The advisor agreed. “We have 17,000 employees here – tasked with continuing their normal day-to-day duties but also suddenly having to think, act and behave in a completely new and different way. We better be right about their readiness for change – because this one factor drives a lot of the other decisions we need to make.”

She continued, choosing her words carefully. “Here’s my perspective – and I’ve seen this many times in a number of different situations comparable to this one.”

“The gaps that we’ve uncovered today – in our perceptions of the impacts of the changes ahead and the organisation’s readiness to accept them – aren’t just interesting differences in our various opinions. Instead, they represent an enormously strategic window into exactly how to meet the specific, difficult, and complex objectives we are trying to achieve – sustainably”.

The COO nodded, in agreement. “The gap in our perspectives is an important signal,” he said. “The danger here – to our project’s success – is in trying to guess what is right for the organisation. What we need is better insight – fact-based insight – into what our people’s reactions will be to these changes.”

A thoughtful discussion ensued – as the executives and experts in the room shared ideas and suggestions. And within minutes, the group had decided on conducting a brief, 10-day survey of the organisation’s employees themselves.

The meeting wasn’t over. But, in retrospect, the “tipping point” in consensus had been passed, quietly and without fanfare.

An hour later, when the final best-fit change template was “chalked” onto the meeting’s blackboard (see side box on next page), the overwhelming number of meeting participants nodded in agreement, aligned with one another and ready, as a group, for the next phase in the project.

The Meeting's Results

As a result of this discussion and analysis, the Asian pharmaceutical's executives and change experts resolved that the best-fit approach to change for this project – at least until new information or observations allowed better insight – would be defined as follows:

Style:

- *Tone:* Cautions, understated
- *Pace:* Gradual, phased
- *Involvement:* Hierarchical, directive
- *Interaction:* Group-based

Activities:

- Establish new roles and accountabilities
- Establish new organisational/individual performance metrics
- Roll out capability development programs
- Improve processes

Techniques, Tools and Models:

- *Involvement:* Emails, group presentations, coaching, education/awareness sessions
- *Benefits:* Paper-based and web-based surveys



An uncommon result

Change happens – and it sticks

So how do you know when you have “picked the best path to change”? It’s tempting to respond with a simple answer: “when it works” – i.e., when the changes targeted by the initiative begin to appear. The reality, however, is that it’s not always quite so apparent - but there are some key indicators that show you have selected:

The right change approach unlocks business outcomes

Leaders can determine if their approach is best by the confidence and insights it provides them. If it is “Best-fit”, it is likely to be comprehensive and enable the organization to be proactive, not reactive. Leaders will have sufficient information (both hard and soft) to anticipate change challenges and save time, minimise mistakes, and prevent ‘change fatigue’. The right change approach will also accelerate buy-in and drive a sense of purpose, helping to ensure that appropriate and realistic levels of investments are authorised and in place. This increases confidence in the likelihood of reaching project outcomes – across the organisation, from the mail room to the board room and out to your customers.

Best-fit paths to change are not always straight ones

We don’t however live in a static world, so your change strategy isn’t a prescriptive, one-time-only affair. Instead, it’s a highly iterative process.

As the initiative unfolds, additional information, new insights and real-time results provide a “rolling”, continuous set of crucial opportunities to improve and refine the approach.



Epilogue

Remember the US-based international bank confronting FCPA sanctions?

In retrospect, the Frankfurt meeting had provided false comfort – resulting in an initial decision to take a “bottom-up” approach intended to “invite people’s ideas, provoke a fundamental cultural change, and embed compliance more deeply in the company’s DNA.”

Ninety-days into the six-month initiative, it was clear the approach wasn’t working. Cultural resistance turned out to be much higher than originally anticipated. After all, the US law’s sanctions were for an infraction considered ‘normal’ in some of the countries the company did business. One Eastern European mid-level manager’s response was revealing. “Are you telling me,” he said, standing up in a meeting attended by several hundred people, “that my team’s practices are not ethical?”

Other factors also proved more of a challenge than expected – such as difficulty implementing training given the huge number of people involved and the multiple locations.

Hastily convening an emergency meeting in Sao Paolo, corporate leaders agreed that they probably would not be successful in shifting behaviours in such a short period of time – and needed to immediately assume a more “directive” approach to change.

They decided to mobilise quickly, speed up communications, get “intense” with stakeholders, and launch a tighter, faster-moving project management office (PMO) with the on-demand resources necessary to tailor the programme’s execution to different cultures.

The revised approach worked. The programme’s execution objectives were fully met within the six-month deadline. The SEC reviewed and approved the programme. And no fines or additional penalties were levied.

A year later, challenges associated with the global economic downturn as well as other business priorities have grabbed the spotlight. But plans to ensure that FCPA-related compliance practices remain a core part of employee on-boarding procedures and ongoing training have been drawn up and approved. A new global compliance programme is scheduled for implementation at end of the year.

And if these measures are executed consistently, there will be much lower risk in the future that someone will need to blow the same whistle.



For further information please contact:



Steve Billingham
Partner

+61 (2) 8266 3417
steve.billingham@au.pwc.com



Della Conroy
Partner

+61 (3) 8603 2999
della.conroy@au.pwc.com



Debra Eckersley
Partner

+61 (2) 8266 9034
debra.eckersley@au.pwc.com



Victoria Keesing
Partner

+61 (2) 8266 0035
victoria.keesing@au.pwc.com



Sammy Kumar
Partner

+61 (3) 8603 2638
sammy.kumar@au.pwc.com



Justin Sturrock
Partner

+61 (2) 8266 3895
justin.sturrock@au.pwc.com



Peter Wheeler
Partner

+61 (3) 8603 6504
peter.wheeler@au.pwc.com



Jon Williams
Partner

+61 (2) 8266 2402
jon.williams@au.pwc.com



Steve Wooley
Partner

+61 (3) 8603 3808
stephen.woolley@au.pwc.com