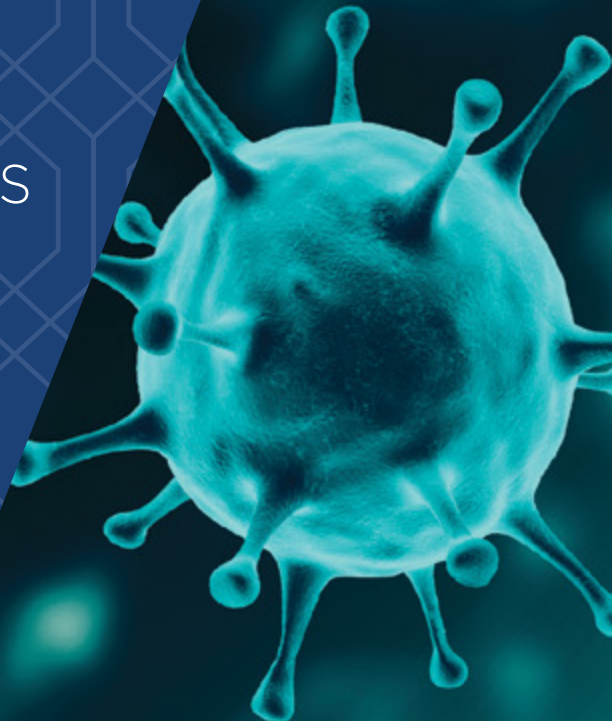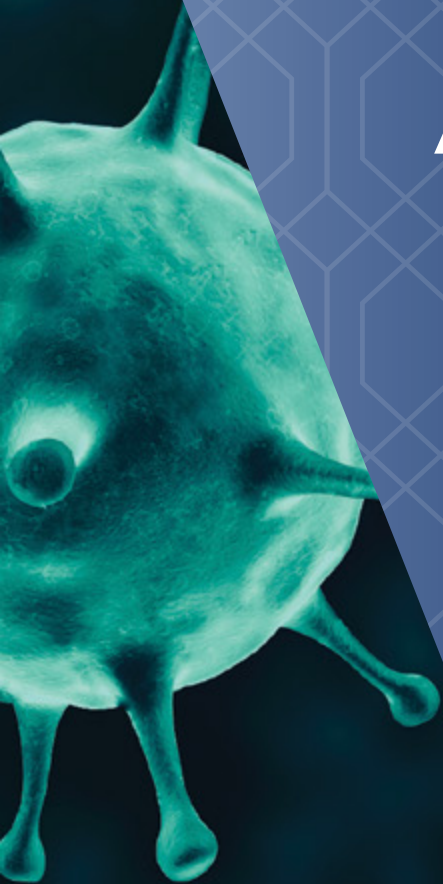# POSITIVE CHANGE IN A CRISIS

How can leaders rapidly create the sustainable, wholesale change required to recover from the Covid-19 crisis and create a 'new normal' for their organization?

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In addition to needing to combat the obvious economic pressure of a looming global recession, the current crisis has shown that organizations must also protect themselves against longer term uncertainty. As a result, there is an opportunity now to execute a systematic approach to accelerated change that, if done properly, can become the blueprint for a significantly leaner and more adaptive organization.

After the initial response to the Coronavirus crisis, characterized by swift expense reduction measures and government subsidies, CEOs are turning their attention to a more considered approach to longer term corporate sustainability. However, in the space of a few short weeks, the playing field has changed dramatically. Winners and losers are being defined by actions over a matter of weeks rather than months and years; regardless of size, geography, or industry, every organization now has to become more responsive. Yet despite the initial flurry of activity and decisions, clients are telling us that uncertainty is leading to paralysis. They know they need to figure out a new operating model – take out cost, identify new revenue streams, define new processes, restructure the balance sheet - and they need to do it quickly, but how and where?

For most organizations, innovation and change are infrequent events that carry a high degree of risk; there is no playbook for how to rapidly adjust to a changing market and operating environment. Now, enabling change is a strategic priority that cannot be seen as an exceptional occurrence; the ability to respond quickly, once the wheelhouse of the able start-up, must become the norm for every company and for most organizations it will depend on a fundamental shift in practices and in culture. In practical terms, achieving this will require a two-part approach. Part one, is to quickly identify and approve the changes to the operating model required today and to create a roadmap for implementing those changes. Part two, is to simultaneously, build the capabilities and framework for ongoing accelerated change so that rapid, executable innovation becomes business as usual and the organization can withstand future shocks.

The question is, what is this approach that companies should be using now and in the future? It sounds obvious, but a successful change program needs the best initiatives, articulated in a granular unambiguous way that provides a clear route for implementation. The challenge is how to identify those initiatives and

start implementing them quickly. The solution lies in engaging with your people. From experience, we see that successfully engaging employees is the biggest single success factor for a change program and that not engaging appropriately can undermine change efforts. There are many benefits from positively leveraging your workforce but three stand out when it comes to change:

Firstly, the collective internal insight of departmental or functional managers and their teams is a powerful, and usually untapped, source of the most relevant, highest impact opportunities for change. Lew Platt, former CEO of Hewlett Packard, once said "If only HP knew what HP knows we would be three times more productive." Now, more than ever, harnessing that internal insight ensures that changes identified are feasible and pragmatic in the context of that particular organization.

Secondly, engagement builds accountability for, and ownership of, change. Ensuring successful implementation requires people to behave differently. These changes in behavior can be achieved most effectively and efficiently when those required to adjust are the ones driving it.

Thirdly, by decentralizing responsibility for innovative thinking and opportunity development an organization can achieve change at scale. In our experience, every single area of an organization, no matter how efficient, will have scope for improvement. We have found that a focused process for eliciting improvement opportunities will generate a portfolio of initiatives where, on average, 50% of the value will come from 10% of the ideas. In other words, half the value is derived from many small to medium ideas. Surfacing these ideas for each department across the entire organization is how you get wholesale change.

So, how do you go about creating an accelerated change framework that engages your workforce and leads to actionable, sustainable change? We have developed a model of the Six Disciplines of Accelerated Change which captures the essential features to incorporate into an effective rapid change program. Each element is important, and none can be left out; it is the precise execution and enforcement of all of these that guarantees success:

1. A sprint approach and mindset. Keep the cycle for identifying, evaluating, and approving changes short; the ability

to adapt quickly and pivot in different directions is essential for reacting to uncertainty and requires agile decision making. The organization will be bursting with ideas and surfacing them is easy. The process tends to fall down, however, in a laborious set of activities and hurdles required to turn ideas into initiatives and get them approved. Procrastination, over study, and avoidance are eliminated in a process that establishes a clear goal with a short timetable and a 'test and discard' mindset. With a systematic, focused effort, this process can be streamlined into a matter of weeks by identifying what information is really required and limiting stakeholder involvement to those who really need to be, rather than want to be, involved.
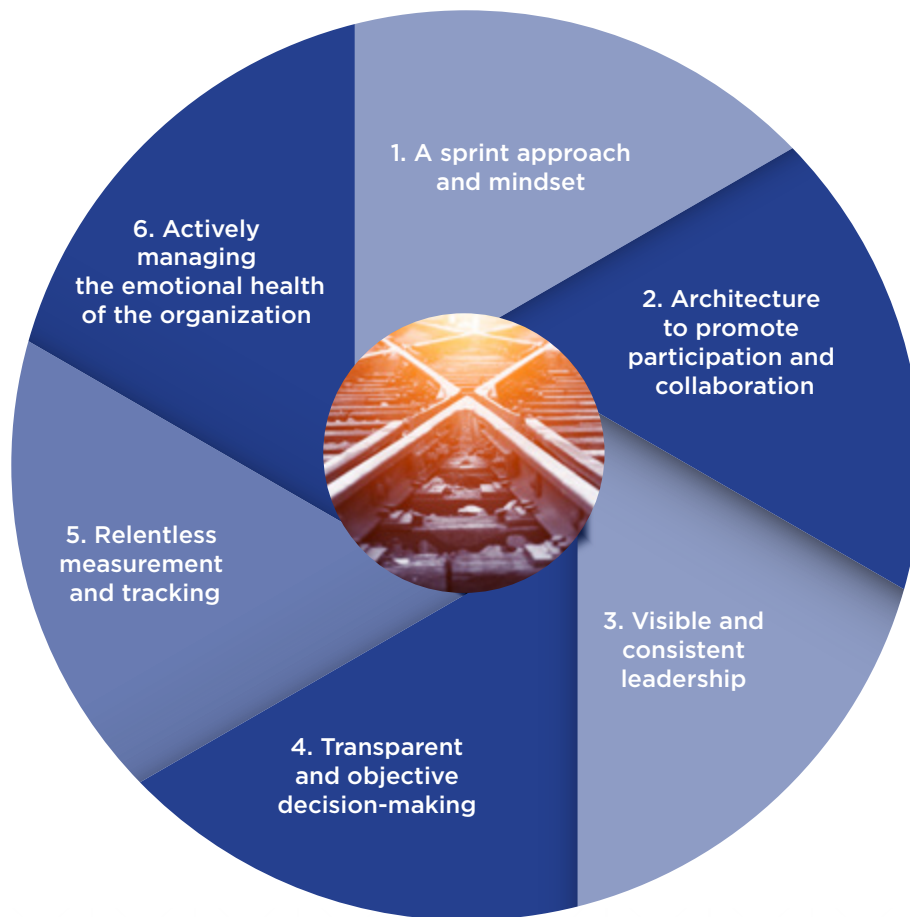
A banking client once maintained that they were unable to reduce the number of deposit products they had because they did not have the resources required for the 6-month project to figure out which ones were really needed. Nor were they able to drive consensus among the scores of product managers, relationship managers, and executives who needed to have a voice. However, a focused 6-week effort involving just five key decision makers, supported by precise analytics, developed a plan to reduce the number of products from 440 to the 95 that accounted for 90% of deposit volume. Not only were the savings significant but, more importantly, a new protocol was established for addressing complex, cross siloed issues in an efficient and rigorous way using small, targeted multi-disciplinary taskforces. This type of approach to agile, collaborative problem solving creates faster resolution of big, complex issues resulting in more efficient change.

2. Architecture to promote participation and collaboration. The right infrastructure will support engagement and help to optimize the process. This can partly be achieved through ensuring technology solutions are in place to facilitate interactions, collaboration, and communication. This is clearly essential given the currently high levels of remote working, and therefore participation, that most organizations are experiencing. Idea management platforms can also help with organizing and developing initiatives in a consistent, accessible format; the more sophisticated of these can capture supporting financial and implementation data. Equally, if not more important than these practical tools, however, are 'rules of engagement' to govern behaviors and

THE SIX DISCIPLINES OF ACCELERATED CHANGE

1. A sprint approach and mindset

2. Architecture to promote participation and collaboration

3. Visible and consistent leadership

4. Transparent and objective decision-making

5. Relentless measurement and tracking

6. Actively managing the emotional health of the organization

make participating in the effort free from negative consequence. Internal habits, politics, and biases conspire to prevent complex and transformational change programs from being successful. In the banking example above, a desire not to upset the status quo and an irrationally interpreted fear of impacting customers contributed to a complete lack of proactivity around managing product proliferation, even though it was widely understood as an issue within the bank. In a healthcare client, a lab technician had been trying to change protocols for 8 years with an idea that ultimately saved the company $1m, but her attempts were thwarted by a manager fearful of being asked "why haven't you already done this?" Mechanisms to protect individuals from recrimination for identifying issues and opportunities, to force collaboration particularly across silos, and to build cohesiveness are all required to create an open environment that fosters positive participation.

3. Visible and consistent leadership: The CEO and leadership team must demonstrate visible sponsorship. This does not require much of their time but

requires clearly signaling the importance of the project and leadership's commitment to its success. Messaging is critical and should be supported by a comprehensive communication plan that continues throughout the process to inform, encourage, and validate internal and external audiences. The expectation should be set that the whole organization will be actively involved in ensuring success. The notion of transparency needs to be reinforced throughout the project as this makes it difficult for others to obstruct the process. Actions can also be effective. For example, people recognized as 'high-flyers' should be selected for the internal project team. Not only will the project outcomes be better for it, but the profile of the team will be the first impression the organization has of how seriously the leadership is taking the project and its priority on the leadership agenda.

4. Transparent and objective decision-making: The ability to make good decisions quickly and easily is central to any change program. We have found that in many organizations, there is a tendency to invite more input into assessing the viability and risk of an initiative than is necessary. This overly conservative approach often leads to good ideas being rejected early in the process. In fact, an analysis of thousands of improvement initiatives across multiple clients and sectors shows that functional or business heads had the delegated authority to approve around 80% of change initiatives. Limit approvals to the individual with direct P&L responsibility for that specific idea, their line managers up to the leadership team, and only include stakeholders who have direct P&L impact from the initiative or are required for legal/regulatory reasons.

In addition, ensure decisions are being made based on facts not opinions, biases or conjecture. A business plan showing the full net financial impact and the risks of the initiative must be developed for every idea submitted for approval, however small, and include written explanations from any stakeholder who is against implementing an idea that has a positive ROI. Taking this approach will ensure any decisions are efficient and objective, creating a portfolio of initiatives that are fully articulated prior to implementation.

5. Relentless measurement and tracking: From the very start there must be a bias towards implementation. As ideas are developed into initiatives, they should be tested against the

organizations ability to implement them as well as for their financial impact. Above all else, it is key that a single individual is accountable for, and committed to, implementing every initiative and achieving the target financial result. Typically, this would be the manager with the greatest P&L impact resulting from that initiative. Having named responsibility for an initiative improves the quality of that initiative, the robustness of the business case behind it, and the certainty of it being implemented. This accountability cannot be delegated or outsourced. Furthermore, tracking, measuring, and reporting are integral to implementation success. Ensure robust metrics and straightforward routines for continuous monitoring at the initiative level are in place and supported by mechanisms for intervening and escalating. This oversight is even more critical when many are working remotely, or new working practices mean that interactions are scarcer. Implementation oversight is relentless but essential, so put your best people on it, reporting directly and regularly to the leadership team.

6. Actively managing the emotional health of the organization: Making improvements necessitates change, and this causes anxiety at a personal and professional level. We typically see five phases to the 'emotional timeline' of a change program – Anticipation, Concern, Challenge, Engagement, and Validation. In an accelerated change program, responses are likely to be intensified and in times of crisis the whole organization can languish in the Concern phase in the absence of active intervention. Leaders who proactively take steps to manage the journey individuals are taking and find ways to support them through and shorten the Concern and Challenge phases are positioning a change program for greater success.

THE EMOTIONAL JOURNEY OF CHANGE

	TYPICAL FEELINGS	LEADERSHIP RESPONSE
ANTICIPATION	Nervous/skeptical but hopeful	Reassure and build confidence
CONCERNERD	Stressed and anxious about impact on me	Actively support and encourage
CHALLENGED	Defensive as controversies surface	Visibly lead, intervene and problem solve
ENGAGEMENT	Cooperating – willing or resigned – to drive good outcome	Constructively push and set expectations
VALIDATION	Relieved and empowered	Congratulate and reward

While every organization is different and faces its own unique challenges, applying a methodical, comprehensive approach to change that gives as much weight to people and behaviors as it does to tasks and deliverables, can quickly drive positive change. Designing an approach to change that systematically applies each of the six disciplines can form the basis of a framework that will foster resilience in an organization and provide a mechanism to respond to future shocks.

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About the Author

Melanie Lindsay is a partner at Vici Partners

**To learn more about how Vici
can help your organization, please contact**

mlindsay@vicipartners.com
www.vicipartners.com