Leading organisational change in a digital world

A PwC perspective

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The imperative to evolve

The 4th industrial revolution and the recent global pandemic are redefining the business environment, how we work, operate and engage people, clients and shareholders. Never before has there been such a need to formalise organisational change structures and processes to lead the business towards a desired future state. Staying competitive – surviving – is an economic imperative in an ever-changing world. This goes well beyond project management for strategic initiatives. It demands and compels the end-to-end transformation of the entire business towards a future state.

To transform, the future state must be defined, unpacked, shaped and rebuilt by business leaders to garner support. This then needs to be broken into areas of transformation or quests to evolve, and priority projects approved with results tracked and reported at executive level.

It requires a coordinated programme of activities led by an empowered change leader who has the ability to connect and align all priority transformations towards the agreed future state. It demands a unique combination of skills ranging from deep technology, to strategy, change management, business process and a high EQ. This critical combination of skills ensures that the customer or client or citizen's needs are placed at the heart of any change.

Any imbalance in these skills can impact the entire organisational change programme. In addition, the change leader needs direct access to the CEO, acting at a sub-CEO level, but with a focus on driving the transformation rather than being an assistant or chief of staff to the CEO.

It's fairly simple to buy or get access to any technology, but the ability to transform an organisation around it depends on the success of the organisational change programme.

Learning from our internal change journey, we've compiled a list of elements which have been invaluable in shaping our business.

Factors driving organisational change

- Cyber security
- Global trade
- Pandemics
- Regulations
- Climate change
- Emerging technologies
- Digital disruption
- New customer needs
- Digital skills divide

The transformation office

Organisational change, across multiple business units, gets complex very quickly. Organisational change must become someone's full time job rather than a sideline role or something that is delegated to the back office. In the absence of a dedicated support team and an executive leader to drive the change, forces of resistance will prevail and little transformation will be realised.

Members of such a change office will be required to unpack complex processes from various business areas (finance, human capital, sales) and then deliberately redesign them using emerging technology. Their business prowess should be coupled with high EQ, and a deep understanding of the value of the customer and user experience.

This office will also be required to inform a cross-business steering committee that meets weekly for updates and key decisions. Each transformation needs to be sold to the business leaders, as key persons of influence (KPIs) can easily derail pending changes if they are not informed and/or don't fully support the change.

A successful change programme needs a change story – **one that unpacks what the change means for all stakeholders, shows people the big picture and prioritises what matters most in a people-centric way.** In addition, the transformation office should use real-time data to iterate and configure the change journey towards the agreed vision.

- Make it personal
- See the bigger picture
- Prioritise what matters
- Use real-time data to iterate

Set quests to lead the change

Supported by an established transformation or change office, a business unit can focus and execute key projects linked to the business strategy and vision. However, these too need to be defined and agreed by the executive and senior business leaders and then embedded into the strategy. This process normally follows a design thinking workshop aimed at unpacking the current, transition and future state of the business.

| 01 Current state | → | 02 Transition | → | 03 Future |
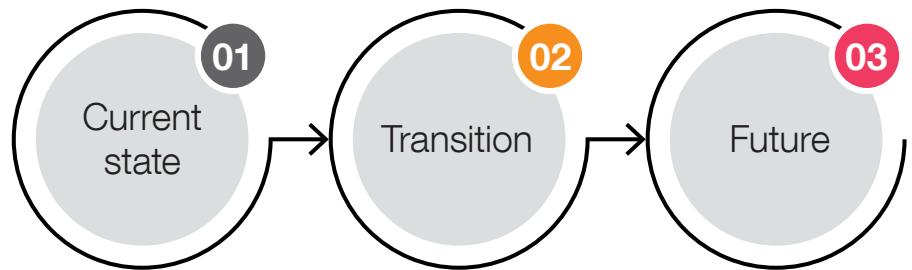
Once the executive board can visualize the future state, and they agree on the vision, they need to agree on a set of eight to twelve transformation quests. Each quest is a key element of the transformation strategy across all areas of the business (human capital, finance, sales, customer experience, operations). These quests are then grouped into overarching goals, all of which corroborate the purpose of the organisation and are supported by applicable values. As shown in the examples, if a business wanted to "become more digital", the quest may be to "adopt cloud operating solutions".

Goals	Digitise the business	Develop our people
Quests	• Adopt cloud operating solutions • Automate back-office support	• Digital upskilling for all staff • Grow internal digital knowledge

Each business leader then defines an action plan linked to these quests and goals, and works closely with the change office to make sure targets are realised for the financial year. The future state of the organisation will only be realised if the executive prioritise transformation projects associated with the quests and goals.

Report on the change

While reporting on financial results per quarter is all-important, so too is reporting on the status, issues and risks for priority transformation projects. A dynamic view of project status, per goal and quest, should be at the fingertips of executives. This will help them understand the issues and roadblocks across the end-to-end transformation.

The structure of executive board meetings may also need to be remodelled. As the executive unpack each goal, and consider the risk of not realising a quest, they may want to assign an executive sponsor, accountable to the board for achieving the set targets. Some project successes could be defined in terms of on-time completion, but others may have a specific and measurable value, for example, efficiency gains through automation of the back office support functions. These should all be agreed at the start of the financial year and set as metrics for applicable executive members.

It's of enormous value to make the quests and associated targets transparent to the business and all staff. This puts pressure on the outcomes, and builds momentum in the change story, serving to mobilise everyone towards achieving common goals.
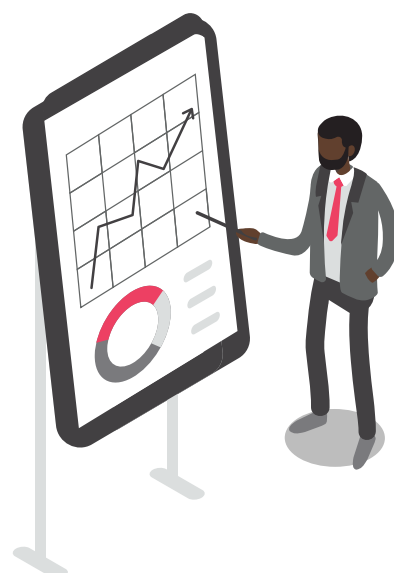
Focus on what matters most and go deep

Large scale organisational change doesn't realise a strong return if the spread of transformation is too vast and thin. Focus is key to achieving results in a complex and rapidly changing market. Without it, it's impossible to drive deep adoption of numerous emerging technologies, and bring about the new behaviours and attitudes that are the most potent evidence of a strong return on investment.

With regard to emerging technologies, the organisation's starting point is the desired future state. The technologies which are essential in realising this future flow from here, and should include only five to seven technology areas.

An example of essential technologies

1 Artificial Intelligence

2 Drones

3 Internet of things (IoT)

4 Robotic process automation (RPA)

5 Chatbots

6 Data analytics (D&A)

Once a list of the essential technologies for the organisation and their clients has been defined, the skills and knowledge gaps need to be determined. For example, if blockchain technology is essential to the future state, then do stakeholders, and the business at large, understand what it is, how it works and/or how it may be applied to create new value? It would be ruinous to leave this to a back office IT team to develop a blockchain app, and have the rest of the business carry on with business as usual, with little knowledge of the fundamentals and application of the technology.

Similarly, if Robotic Process Automation (RPA) is an essential business technology that will address a quest, then do people understand the elements of automation? Do they feel comfortable about having bots automate some of their daily tasks? Do they have the skills, or access to teams who can prototype and automate a process with attended or unattended bots? Do the executives have the requisite knowledge and understanding of software robots and how they will provide value to the business?

An organisation that understands the need to go deep into each essential technology and unpack value-creation for the business will naturally keep a contained short list of focus areas. One can't look past new technologies… and this is where growing the digital knowledge base of the organisation through communities is of value.

Use digital communities to drive the change

One challenge with driving organisational change is building and maintaining a substantial coalition of followers in favour of the future state. Whether it's support for a new technology, process or behaviour, it becomes critical to have this groundswell movement through communities of interest. For example, a community of individuals in the business are interested in Artificial Intelligence (AI) and want to drive business transformation using AI.

A community not only has its people, but also a leader, who constantly feeds them with information and excitement around the change. For example, an organisation may want to focus on data analytics as one of their essential technologies using *Alteryx* as the core product. In this case, someone will be required to build a community around *Alteryx*, as an example, constantly showcasing the value of the product, sharing recent success stories, new features, and running events to create a buzz around the product in the business. Business unit executives need to work with community leaders to build a culture of data analytics using *Alteryx*. Collaboration and engagement of the community needs a digital platform, Google Currents, to connect, post and share insights.

A community leader is not the product manager but rather a person who builds the community and works closely with stakeholders such as the *Alteryx* product manager and the business executives. Product managers would rather manage licencing, software access and support, and then inform the community leader of new features and product release dates.

Product leader

Manages and supports the product

Community leader

Builds support and leads others to a new way of working

Manage a structured change programme

Global best practice for managing change references the ADKAR[1] change management model. The model presents five building blocks that must be achieved for a change to be a success and for the business to realise an overall return on the investment. The ADKAR model can be applied on a granular project level, but also to the overall organisational change programme.

The first task is to determine where the organisation is in the model with regard to the future state vision. Are people even aware that there is a future state? Do they care? And do they have the ability to support or make the change? Such questions are not addressed once-off and then everyone moves on to the second or third step. Change is an iterative process, with people constantly evaluating the status quo, the transition (often characterised by chaos) and the promise of the future.

Even if people believe in the change, they may not be able to support or make the change. This could be due to an old way of working, the culture, or a lack of leaders who role-model the critical behaviours that would entrench the new technologies and processes into a new way of working. Therefore, people's ability to perform in a transition state can be limited.

Finally, constant change is exhausting and takes effort. So reinforcement and recognition for each step taken in the transformation is critical to keep people motivated.

The key to achieving results is to follow a structured process for driving the end to end transformation programme. It's critical to cover all elements of change and not run isolated projects which do not address every aspect of ADKAR.

Assessing ADKAR organisation readiness is a critical check to realise the future state.

ADKAR model	Organisational change checklist for employees
A **Awareness**	• Are aware of the vision for change • Know what the essential technologies are
D **Desire**	• Have a personal interest in the future state • Want to learn more about the essential technologies • Want to grow and change the way they work
K **Knowledge**	• Get regular updates on the status of the change and what's coming next • Understand how the essential technologies work
A **Ability**	• Have a culture that supports the future state • Leaders embrace the change and support teams through the transition state
R **Reinforcement / Recognition**	• People are rewarded for their efforts to drive changes aligned to the future state • Identify and manage those resisting the change

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1   ADKAR = Awareness + Desire + Knowledge + Ability + Reinforcement

Organisational change checklist

A checklist of key actions to drive an effective organisational change programme.
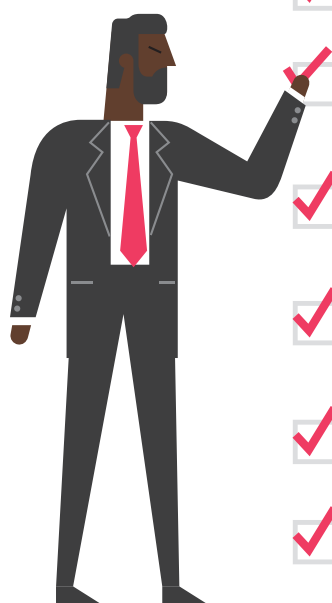
☑ Has the CEO acknowledged and internalised the imperative for change?

☑ Has the future state of the organisation been defined, articulated and communicated to the business?

☑ Has an executive board member been made accountable for the organisational change programme?

☑ Has a formal change office been established and resourced by people with the right combination of skills?

☑ Have goals and supporting quests for transformation been workshopped and approved by the executive board?

☑ Has the executive board set organisational change reporting metrics?

☑ Has the organisation set up a mechanism to track the status of priority transformation projects?

☑ Do employees and shareholders understand how the quests will create new value for them?

☑ Has the organisation defined a focused list of essential technologies?

☑ Has a formal digital upskilling programme been established?

☑ Does the organisation have a mechanism to constantly grow the digital knowledge of its people?

☑ Has a network of change agents been established and mobilised, and are they recognised?

☑ Do people have access to a digital collaboration tool to support community development?

☑ Are formal virtual communities of interest established and led by community leaders?

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