

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

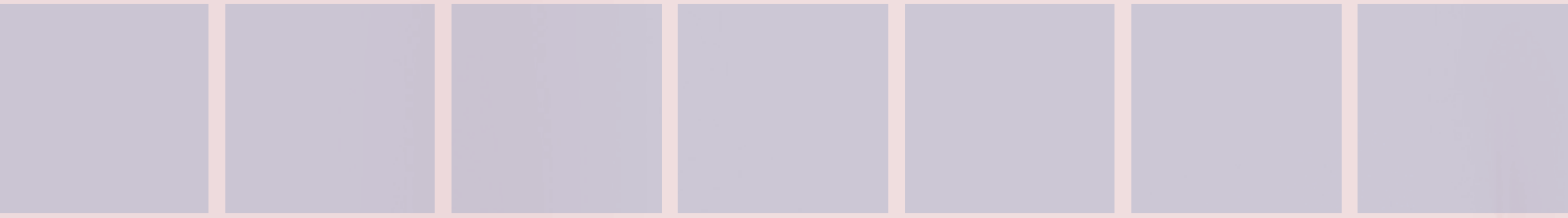
A horizontal row of seven light blue squares, each separated by a thin white gap, positioned above the main text.

Gearing up for change:

Careful planning leads to better results



Consulting. Outsourcing. Investments.



Gearing up for change:

Careful planning leads to better results

Contemplating the journey ahead, you look toward the horizon and see a clear vision for the future: a high-performing organization with robust systems, efficient production processes and a world-class sales force that cleanly outpaces your competition. You can easily envision the outcome of the change. Unfortunately, how to achieve this success is not as apparent. The seas of change are stormy, and navigating them requires more than a clear vision. If your employees aren't fully on board and prepared for the journey, even the best compass won't guide you through the transformation. Only by capturing the hearts and minds of your workforce will you have a chance at arriving successfully at your destination.

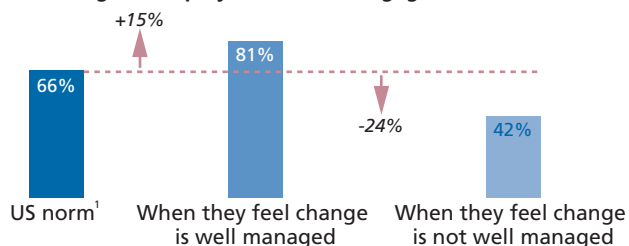
Mission critical: Managing the people side of change

Managing the people side of change is mission critical for successful business transformations. *What's Working™*, Mercer's global study of workforce attitudes, reveals that when employees believe change is well managed, their level of engagement rises dramatically. (See Exhibit 1.) Yet getting people to adopt your vision and embrace their roles in this process is often the most daunting – and typically, the most avoided – challenge of managing change.

Exhibit 1

The engagement connection

Percentage of employees who are engaged...



¹What's Working™ study

Convincing employees that change is in their best interests requires an understanding of what they care about – their desires, fears and motivations. This understanding holds the key to guiding employees through transitions because it helps leaders shape a communication strategy that successfully accelerates the change process.

Discovery: The foundation for successful change

In Mercer's view, creating an effective change communication strategy involves three broad phases – discovery, delivery and assessment – that provide the essential discipline for successfully accelerating change through people.

In this article, we focus on the first phase – discovery. Here, the advance team of change leaders explores the path ahead and charts a course for successful transformation, providing strong guidance for the change journey. This careful planning lays the foundation for change, making it possible to achieve better results.

The discovery phase includes four vital elements:

- Understanding the context for change
- Assessing the current state and levers to drive change
- Analyzing key stakeholders
- Crafting the story of change

The dynamic journey: Understanding the context for change

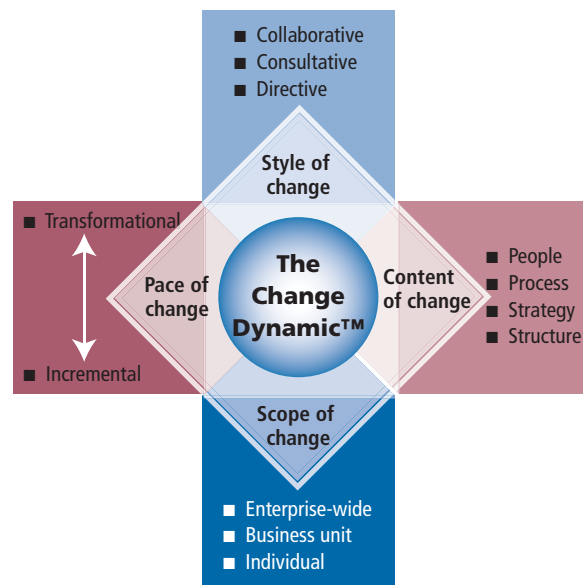
In the strategic work of change, context is everything. The question of how to approach change communication must be shaped by the specific objectives of the transformation as well as the unique character and culture of the organization. Simply modeling best practices ignores the specific context of a particular change and introduces unnecessary risks and challenges. What is needed is a process to help build a solid foundation for a change communication strategy. Mercer has created the Change Dynamic™ model as a tool to help articulate the context for change along four dimensions. (See Exhibit 2.)

- Content of change** refers to the aspects of an organization that must change; these typically include strategy, people, culture, structure and/or processes. As you consider the content areas of change, it is important to keep in mind that transformation rarely falls neatly into these categories, and virtually all change involves a series of micro changes with critical interdependencies. For example, the launch of new technology may require modified work processes, organizational structures, information flows, decision-making patterns and competencies. Identifying and mapping these interdependencies enable change leaders to better understand what they will be asking of managers, employees and other key stakeholders.
- Scope of change** gauges how broadly an organization will be affected by change. For example, a structural change in one part of the organization might require process changes in other parts of the organization. By assessing the scope of change (enterprise, business unit, or individual), change leaders can determine how extensive the communication effort should be.

Change is ...	When it involves...
Incremental	Improvement to current processes
Transitional	New strategies or rearranging/ dismantling old processes
Transformational	Profound, traumatic change that is comprehensive at several levels (often includes reformed vision and value statements, altered distribution of power, new communication patterns, or fresh leadership.)

Exhibit 2

Mercer's Change Dynamic™ model



The scope of change also will help change leaders identify the effort required by and the potential disruption to the organization and quickly highlight where time should be spent and what needs to be done.

- Pace of change** plots the speed with which change must be accomplished, as driven by the objectives and the strategic imperative for change. For example, some changes can and should be accomplished quickly, with minimal disruption to the organization. Others can be implemented over time with staged milestones, again minimizing disruption. However, some transformations need to occur very quickly and dramatically, and will have a significant impact on many stakeholders. Understanding the pace of change is essential to creating the right change communication strategies.
- Style of change** identifies the type of leadership (collaborative, consultative or directive) required for the transformation to happen effectively – which may be quite different from what is required for day-to-day operation of the organization. For example, an organization's existing leadership style may be collaborative; yet if the scope of change falls into the transformational category or if the pace is very rapid, a more directive leadership style is usually required to manage the change and effectively engage employees. The required leadership style will guide the style and delivery of communication.

Using Mercer's Change Dynamic™ model to map out the context in this manner creates a very clear picture of how people will be affected by the change and are likely to respond. By assessing context along these four dimensions, change leaders can identify the dynamic relationships among the dimensions and can help define the most suitable change communication approach.

A case in point: Thorough preparation leads to success

A newly merged pharmaceutical company set its vision on becoming one of the top 10 pharmaceutical firms in the world. The new organization had to integrate two very different cultures and restructure many of its processes due to pervasive competitive and technological pressures within the industry.

Its North American operations had to shift from a "status quo" culture and prepare the new organization to embrace significant change both corporatewide and within specific functions – particularly sales and marketing and IT. To meet aggressive business demands, most of the change would be radical – and would have to happen quickly. Yet each change was part of a continuum, with connections to other key stakeholders or processes. For example, the new technology platform was not just a change for IT but for each division in terms of how work would be accomplished. This put additional pressure on getting the communication campaign exactly right to ensure that key employees knew their value, saw the opportunities and wanted to stay.

To engage employees in the future state, the communication strategy focused on helping them understand the breadth and depth of what would change and when – in essence, painting the "big picture" of change and then giving them a road map to follow. Such comprehensive preparation for the people side of this business transformation paid off for the organization. In the end, the company retained key employees, met or exceeded most performance goals, and established a process for ongoing communication and measurement.

Finding the critical path: Assessing current state and levers to drive change

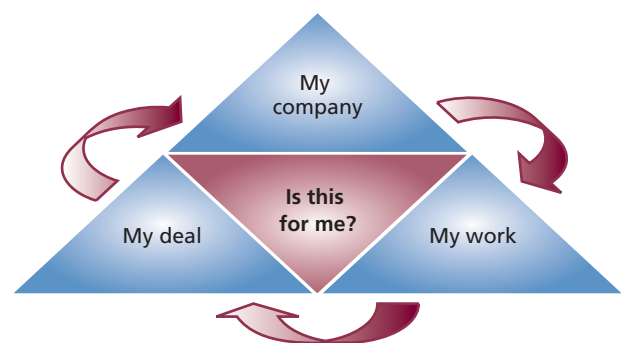
Clarity about the desired end state is critical to successful change. A shared vision of the need for change and the desired business outcome serves as a valuable guide, keeping everyone on track. This vision is important because the path to the ideal state is never straight and always involves a series of interrelated steps that zigzag toward the desired outcome.

Understanding how to create and accelerate change requires seeing this critical path as a series of desired behavior modifications and identifying the right levers to drive these modifications. As leaders pull the levers of change – organization structures, goals and rewards, policies, processes, and communication – employees determine whether they are willing to respond with the desired behaviors.

It's vital for leaders to recognize that each change, no matter how small, affects the employment value proposition on an individual basis. Employees will decide for themselves the answer to the question "Is this for me?" (See Exhibit 3.) And their answers will determine whether they engage in the change process – and ultimately choose to stay the course or disengage.

Exhibit 3

How employees assess change



With change, the employment value proposition evolves, and the communication implications are enormous. Organizations need to create and articulate a compelling value proposition to accompany change if they are to win over employees. Leaders must engage people by translating what the new value proposition means for employees, what the organization expects and what types of opportunities the change will generate. Therefore, communication must evolve in step with change.

The people priority: Analyzing key stakeholders

Identifying who is affected by change and what they care about is critical to success and will help leaders tailor their communication to targeted audiences. (See Exhibit 4.)

A structured stakeholder analysis should capture the following:

- Size of the group
- Geographic distribution
- Factions, motivations, concerns and implications of change
- Risks and opportunities
- Natural leaders and change agents
- The answer to “What’s in it for them?”

In addition, understanding each stakeholder group’s level of change readiness and potential influence on the outcome – and then mapping these two factors on a four-square quadrant – will enable change leaders to identify which stakeholder groups will require the most focused communication efforts. Exhibit 5 illustrates such an analysis, showing that stakeholders in the upper left-hand quadrant (high influence, low level of support) would be a priority.

The necessity to act: Crafting the story of change

Leaders and employees usually have differing views about change. Leaders see change as the path to a strategic vision for growth and greater profitability. Yet employees are frequently anxious and fearful of change. They may feel a loss of control and see only the risks, not the opportunities.

In other words, what leaders envision as a new beginning, employees typically experience as endings. Leaders may have a difficult time understanding that employees are experiencing change in this manner – lacking the same promises of optimism and hope that they feel. To get the value out of change, leaders at all levels need to acknowledge this perception gap – and intentionally use convincing and compelling communication to build understanding and create a sense of urgency. (See Exhibit 6.)

Leaders must create a compelling story of change

Exhibit 4

Typical key stakeholders

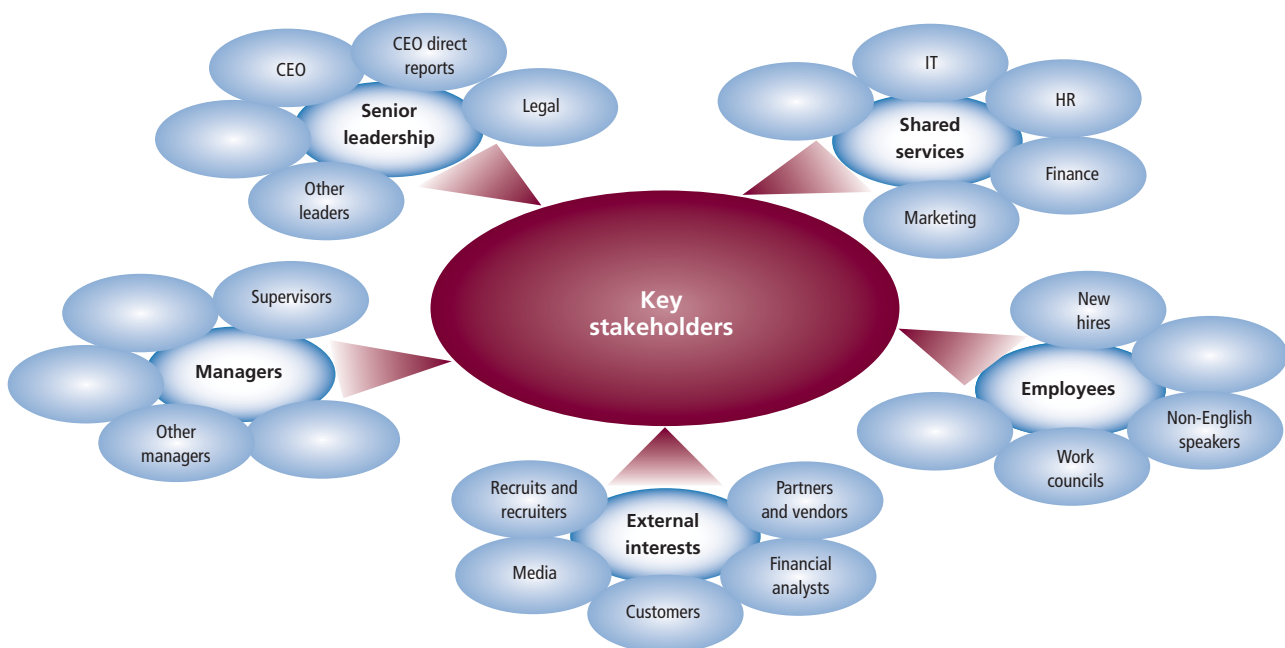
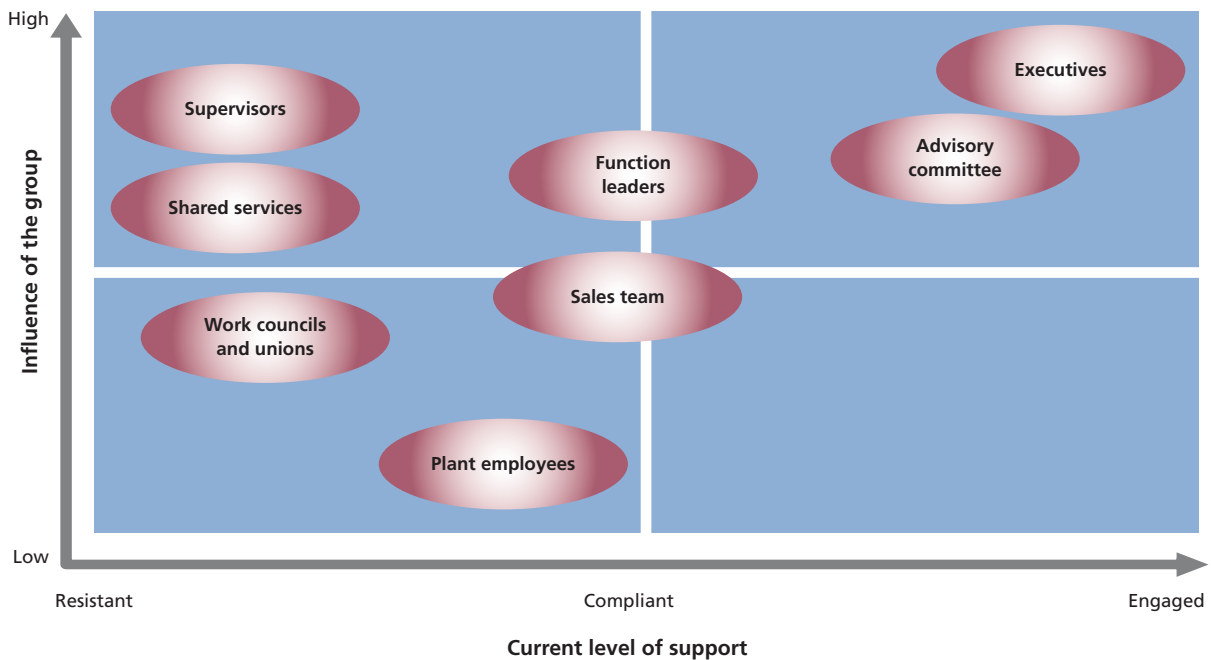


Exhibit 5

An example of stakeholder mapping



In this example, the Y axis represents how influential each stakeholder group is to the success of this initiative. Along the X axis, the degree to which each group supports the initiative is plotted.

Exhibit 6

Craft a convincing, compelling story to build urgency

Urgent business case	<ul style="list-style-type: none"> Why change? Why now? The problems we need to fix The opportunities for change The risks if we don't change
Possible outcomes	<ul style="list-style-type: none"> What might happen – the landscape after change
Vision and strategic priorities	<ul style="list-style-type: none"> Where we are vs. where we need to be How we will get there Short-term goals – areas of focus that will truly make a difference
View of success	<ul style="list-style-type: none"> How the change could positively affect customers, shareholders and employees
Impact on people	<ul style="list-style-type: none"> How work will change How the employment deal will change
Call to action	<ul style="list-style-type: none"> What employees can do to help What employees should do differently

before beginning the change journey. Rather than relying on lofty vision statements and corporate buzzwords, leaders should translate change into communication that speaks to the desires, fears and motivations of employees. The story must be persuasive, must convince employees that the current state must change and must outline the consequences of not succeeding. It must convey that this new route is the only option worthy of traveling and that exciting opportunities lie ahead.

Smart leaders make an effective case for change through simple, positive, emotionally inspiring narrative that:

- Cuts through the jargon to tell the straight story – without spin
- Speaks to people's feelings
- Lures people out of their comfort zones and creates a sense of urgency
- Inspires employees with what is possible
- Prepares people for alternative outcomes as change proceeds

A case in point: Incorporating Swiss employees into a US-based multinational

Two Swiss companies, both privately held, were acquired by a US-based global education services company. Concerns about working for a publicly traded – particularly an American – parent firm generated animosity between the employees and the corporate organization during the acquisition process. These concerns were fueled by repeated negative mentions in key business press throughout the region.

These factors, along with several others, threatened to dilute the full value of the merger. The immediate task, therefore, became to fully understand not only what was changing and why, but also how to begin involving employees in the change process. Through a series of executive interviews, focus groups and internal audits, an integrated change team mapped out the case for change and identified what was needed to engage employees worldwide in creating value under the new operating company. This was not a one-size-fits-all solution – there were several unique groups of stakeholders that needed to be informed, led and listened to.

To analyze the stakeholders, change leaders had to look both outside and inside the parent and the newly acquired firms, in Switzerland and the US, as well as in Asia and Latin America, where operations were growing rapidly and acquired employees would have new opportunities to advance and develop their careers. Mercer helped company leadership to identify key audience groups on the external side: investors, the media, prospective students, hiring employers and the regulatory bodies of the Swiss cantons (which determine employment practice in that country). On the internal side, asset managers, senior staff people, and faculty and academic leadership were identified as the key audiences.

For each audience, communication included outcome-based goals aligned with the business strategy of short-term cost savings as a driver of long-term financial growth and geographic expansion.

The change communications team developed a core change story and then customized it based on the value the transaction would create for each audience. In this way, the story became a series of value messages for each stakeholder group: customers, employees, investors, etc. Adapting the core messages into an employment value proposition for employees formed the basis for ongoing employment branding strategy and tactics. As a result, synergies were fully achieved on time – and, equally important, follow-up focus groups and interviews indicated that change acceptance exceeded targeted levels in the goal-setting process.

Making change work

Like any challenging journey, organizational change can stall if the discovery effort to understand and prepare for change is not first put into place. By fully understanding the context for change, the levers needed to drive new behaviors, and the specific needs of stakeholders, leaders will be able to craft a compelling story for change and use it as the cornerstone of a communication strategy to effectively accelerate change through people.

Investing time and effort up front in the discovery phase will pay strong dividends over the long term. This initial and vital start will enhance the chance of success and create a more positive experience for all stakeholders, resulting in a more resilient organization that is better able to make future changes happen.

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Argentina

Australia

Austria

Belgium

Brazil

Canada

Chile

China

Colombia

Czech Republic

Denmark

Finland

France

Germany

Hong Kong

Hungary

India

Indonesia

Ireland

Italy

Japan

Malaysia

Mexico

Netherlands

New Zealand

Norway

Philippines

Poland

Portugal

Singapore

South Korea

Spain

Sweden

Switzerland

Taiwan

Thailand

Turkey

United Arab Emirates

United Kingdom

United States

Venezuela

For further information, please
contact your local Mercer office
or visit our website:

www.mercer.com