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Putting People First

The Driving Force for
Sustained Transformation

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Putting People First

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Sustained Transformation



Table of Contents

Putting People First	5
Why Transform?	7
The Three Types of Organisational Transformation	9
A Comprehensive Approach to People and Organisational Transformation	13
Leading Change	17
People Risk and Impact Management	17
Leadership Alignment and Stakeholder Engagement	21
Communications	27
Culture	31
Organisation and HR	35
Organisational Design and Governance	35
Talent Requirements and HR Programmes	39
Workforce Transition	45
Learning	51
Learning and Capability Transfer	51
Putting Together the Pieces	55
People and Transformation	55
Contact Information	57

We believe that people
are the most important
force that drives sustained
transformation.

Putting People First

Organisations today face unprecedented challenges and changes. An ageing workforce and impending shortage of key skills are creating a global talent crisis that is expected to last for decades. Globalisation is creating world-wide competition for resources, talent, products, services, and markets. Technology advances are eliminating the barriers of time and space, as well as accelerating the pace of change. And customers and investors are growing more demanding. These powerful forces are driving many organisations to transform the way they operate.

Transformation can have a significant impact on the people in an organisation. But, the irony is those same people can have an even greater impact on transformation. In fact, we believe people are ultimately the force that drives sustained transformation. Not technology. Not processes. Not even strategy. *People*. In the end, it is the collective behaviour of the people in the organisation that can make or break a transformation.

Over the past 10 years, countless studies have been conducted to understand why organisational transformations often fall short of achieving their desired objectives. In nearly all cases, the answer is related to people — poor leadership, not enough sense of urgency, resistance to change, incompatible cultures, and inadequate training to name a few.

We believe that the only way organisations can reverse this trend is to adopt a new transformation approach that puts the primary emphasis on people. The traditional approach to managing people and change relies on broad brushstroke interventions that try to do everything at once. The new approach defines and prioritises the change agenda based on the organisation's business strategy and desired transformation outcomes. The result can be a greater focus on the things that really matter: differentiating the organisation from its competitors, driving value for the organisation, and improving the capabilities and service offerings that new and existing customers care about most.

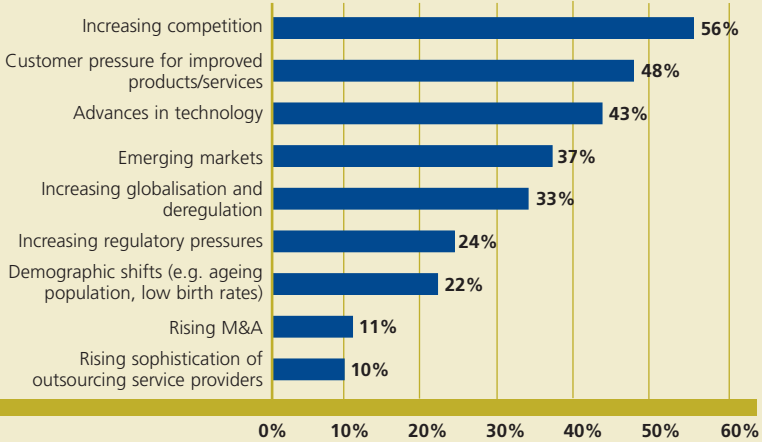
This book presents a comprehensive framework to address many of the people-related challenges associated with organisational transformation and offers time-tested advice and insights to help make people-driven transformation effective.

Organisations don't transform themselves just for fun — they are compelled to transform by a variety of external factors.

Why Transform?

Organisations don't transform themselves just for fun — they are compelled to transform by a variety of external factors. According to a recent survey by Deloitte Research, the strategic issues that are currently capturing the most management attention are as follows (from highest to lowest):

Top Strategic Issues



Source: Ongoing research conducted by Deloitte Consulting LLP and the Economist Intelligence Unit.

Issues like these are spurring organisations to transform the way they operate. And whilst they may not have much choice about the need for transformation, they have a lot of choice when it comes to structuring their transformation to achieve the desired results. This book is designed to help organisations make the most effective choices.

Transformations can have a huge impact on people — creating tremendous anxiety about job security, role changes, and development needs.

The Three Types of Organisational Transformation

Though every organisation has its own unique challenges and goals, most transformation opportunities fall into one of three broad categories:

Enterprise Transformation

Enterprise-wide transformations — including mergers and acquisitions, turnarounds, and corporate restructurings — are the most ambitious form of transformation. They can be triggered by growth pressure, significant changes in the industry structure or dynamics, the intensity of competitive forces, leadership changes, strategic positioning, or the need for deep cost-cutting. But in almost all cases, these sweeping transformations can have a huge impact on an organisation's people — creating tremendous anxiety about job security, role changes, and development needs. A merger, for example, can help accelerate an organisation's response to the market's demands for expansion, but it can also present the significant — and often underestimated — challenge of combining two unique cultures. In our experience, this integration can take years and in some cases is never achieved.

Functional Transformation

This type of transformation focuses on an entire business function within the organisation. For example, there has recently been a strong upsurge in Finance function transformation — either to comply with stricter regulations and reporting requirements or simply to increase Finance's role in helping the organisation thrive in an increasingly complex business environment. Although transformation is most prevalent in Finance, IT, Supply Chain Management, and HR, it is also becoming increasingly common in other functions, such as Sales, Marketing, and Research & Development. Some examples of people impacts could include questions around relocation or career opportunities in a new shared service center.

Every transformation
can have a major impact
on the organisation —
literally changing the
way people work.

Sourcing Transformation

Sourcing transformations include shared services, captive offshoring, joint ventures, and all forms of outsourcing — business process outsourcing (BPO), IT outsourcing (ITO), and application maintenance outsourcing (AMO). Each presents its own unique set of people challenges. Outsourcing, for example, can raise significant workforce transition issues and require significant work to prepare. A quick “shift and lift” approach is rarely effective. In the past, many sourcing transformations focused on cost reduction and efficiency improvement. But today, a growing number of organisations see sourcing as a way to tap into the global talent pool — giving them access to the world’s best talent, not just the cheapest.

The three types of transformation often overlap. For example, a functional transformation often includes a significant outsourcing or shared services component. And regardless of the category, every transformation can have a major impact on the organisation — literally changing the way people work.



People Dimension of Transformation Framework



Activities

- Change Leadership
- Organisation/HR
- Learning

Source: Deloitte Consulting LLP's PDT Framework.

A Comprehensive Approach to People and Organisational Transformation

People-related challenges are the most significant barrier to organisational transformation. For example, 60 percent of all mergers do not deliver the expected benefits,¹ and according to our research, the two leading causes of failure are cultural incompatibility and inadequate leadership. Similarly, a study² of shared services transformation showed the four challenges that are most likely to be underestimated are training, culture, communication, and executive alignment.

Effectively tackling all the people-related issues associated with an organisational transformation doesn't happen by accident. We believe that it requires a comprehensive, focused, structured approach that addresses every aspect of the challenge and aligns with the overall business strategy.



- **People risk and impact management:** Understanding the people-related risks of transformation and developing formal plans to help manage the impact
- **Leadership alignment and stakeholder engagement:** Having people with authority, power, and influence visibly lead the change; engaging as many stakeholders as possible
- **Communications:** Engaging employees, managers, leaders, and external stakeholders through compelling communications
- **Culture:** Aligning individuals' beliefs with the organisation's values and providing supporting procedures and infrastructure to help drive the desired behaviours

¹ "Solving the Merger Mystery: Maximizing the Payoff of Mergers & Acquisitions", Copyright © 2000 Deloitte Development LLC. All rights reserved.

² "Global Shared Services Survey", Conducted by Deloitte Consulting LLP. Copyright © 2003 Deloitte Development LLC. All rights reserved.

The four challenges
that are most likely
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are training, culture,
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leadership alignment.

Identified in a study of shared services: “Solving the Merger
Mystery: Maximizing the Payoff of Mergers & Acquisitions”,
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- **Organisational design and governance:** Realigning the organisation to optimise resources and employee effectiveness
- **Talent requirements and HR programmes:** Developing HR strategies, programmes, and practices that align with and proactively address the organisation's changing talent requirements
- **Workforce transition:** Planning and executing a smooth transition that increases benefits without disrupting productivity
- **Learning and capability transfer:** Providing knowledge, tools, and training to help employees operate effectively in the new environment

We believe that these eight areas are the levers for managing the people dimension of transformation. These eight areas can be categorized into three groups of activities identified in the framework: Change Leadership, Organisation/HR, and Learning.

The following pages examine the key challenges in each area and offer specific insights to help organisations achieve and sustain an effective transformation.



Organisations could take advantage of the transformation opportunity and through greater leadership exposure to their people, increase employee commitment.

Leading Change

People Risk and Impact Management

We Have Met the Enemy and It Is Us

We believe that a major cause of a transformation not achieving its desired objectives is the stakeholders' inability to see and feel the compelling reason for the change. As a result, fear, anger, or complacency can take root and cause resistance.

In some cases, the lack of a sense of urgency lurks unseen or ignored because stakeholders are so busy making it appear as if they are complying with the transformation and because leadership does not take the time to fully explore the consequences of this type of behaviour.

Consequently, the main objective of the transformation is not achieved. Of course, leadership, not wanting to admit this, usually claims early "wins" and then moves on to something else.

In fact, organisations could take advantage of the transformation opportunity to *build commitment* through greater leadership exposure to their people, increased communications, and change leadership initiatives.

When it comes to transformation, complacency, fear, and anger can quietly and effectively undermine the transformation effort and its benefits unless they are identified and addressed.

Of course, a lack of urgency and the resulting resolve to make the transformation effective are just two of many obstacles to watch out for. Other transformation risks can include the following:

- The failure to create and communicate a compelling vision and rationale
- Not removing the organisational barriers that stand in the way
- A lack of visible, meaningful, and timely short-term "wins" to help combat change fatigue
- The failure to anchor the behavioural changes in the organisation's culture
- Forgetting about external stakeholders
- A lack of guiding teams to lead the change

The first step in achieving and sustaining an effective organisational transformation should be to formally assess its impact on people.

To help achieve and sustain an effective organisational transformation, these potential obstacles should be addressed. In our experience, the first step should be to formally assess the transformation's impact on people — both inside and outside the organisation. Who will be affected, and how? Are the affected people critical to achieving desired objectives? Do they have competing priorities? How might they perceive the transformation strategy, and are they committed to the effort?

Risks should also be identified through considering the organisation's "change readiness". For example: Is there strong and trusted leadership? How well understood are the transformation vision and objectives across the organisation? Are communication channels timely and effective? Are decisions made and acted on promptly? Were previous change initiatives successful and what lessons can be learned from them?

The next step should be to develop specific and detailed plans to address significant risks to manage the impact and sources of resistance. Barriers to change can never be avoided completely. But by actively identifying and addressing them, organisations can increase the likelihood the barriers won't become show-stoppers.

Keys to Success

Get your stakeholders right. Understand how the transformation can affect each stakeholder group, as well as key individuals. Consider direct and indirect impacts both inside and outside the organisation.

Anticipate risks. Identify pockets of resistance before they surface, along with any potential business disruptions and risks that might arise. Then work through the resistance, diligently and systematically addressing what stakeholders see and feel.

Assess the situation. People have a limited capacity for change, particularly when it is added to their day-to-day responsibilities. Determine whether the magnitude and pace of change is energising or paralysing the organisation.

Set priorities. Prioritise activities, tackling the most critical barriers first.

People are usually an organisation's largest and most valuable asset, and the business strategy and vision should reflect their requirements.

Leading Change

Leadership Alignment and Stakeholder Engagement

Commitment. Not Coercion.

We believe that sustained transformation requires deep, personal commitment at every level of the organisation. This internal commitment can be difficult to achieve because it usually occurs only when individuals truly believe the changes are in their self-interest. Yet it is far more sustainable than commitment achieved through external pressure or fear. Many organisations try to build commitment by communicating their strategies, goals, business cases, and detailed action plans. This approach explains the rationale for transformation, but often does not inspire or unify the organisation.

In our experience, true commitment and sustained transformation require a compelling and powerful vision that is aligned with the aspirations of individuals. Many leaders don't try to understand employee requirements and aspirations because they don't consider them as important as the needs and aspirations of the organisation. Yet people are usually an organisation's largest and most valuable asset, and the business strategy and vision should reflect their requirements — just as it would for any other critical asset. In other words, transformation should be geared to unlocking people's capability and performance.

Alignment and internal commitment should start at the top. For example, one leader helped champion his organisation's transformation by using stories from his own personal experience to illustrate problems and consequences. Some of the stories directly challenged the organisation's cultural values, eliciting strong emotions and fuelling the desire to change. In all cases, the leader was open and honest about issues caused by his own behaviour and clearly communicated how his effectiveness was linked to the results of the organisation.

We believe that the time and effort leaders must invest to visibly support the transformation should be viewed as a long-term investment that pays dividends long after the transformation is completed. One way to get leaders aligned and on board is to involve them in the transformation planning and execution, giving them ample opportunities to understand and influence the process.

Identify people within each stakeholder group who command the most respect, and then get them involved as champions for the transformation.

The same principle applies to other stakeholder groups as well. Effective transformation requires contributions and involvement from all types of players:

- Some stakeholders will be *co-creators* who help shape the transformation vision and plans. These important individuals or groups should be engaged very early to confirm the proposed solutions are reasonable and practical — and to create a sense of personal involvement, ownership, and commitment.
- Some stakeholders will be *interpreters* of the transformation. These people can help determine how the transformation is actually implemented and help shape opinions throughout the organisation.
- Other stakeholders will be *consumers* of the transformation. Although these people may not have much direct influence on the transformation, as a group they might very well determine its results. Solicit their feedback so they feel like part of the process, and let them know their opinions are valued.

Keys to Success

Influence the influencers. The most influential people in an organisation don't always have the biggest titles. Identify people within each stakeholder group who command the most respect, and then get them involved as champions for the transformation.

Strive for real commitment. People often go along with a transformation because they fear what can happen to them if they don't. But in our experience, that kind of forced commitment usually doesn't last. To sustain the transformation and results, make a conscious effort to understand people's needs and aspirations — and then make a concerted effort to accommodate them.

Equip leaders to drive transformation. The skills required to lead a transformation are different from those required to manage an organisation. Equip leaders with the unique knowledge and skills required to help their people get through this challenging and often traumatic period. Make leaders the role models for the desired behaviour.

Recognise there may be winners and losers. The impact of transformation varies from one stakeholder group to the next, and some may be unhappy with the outcome. Yet all stakeholders should be understood, engaged, and informed.

Equip leaders with the unique knowledge and skills required to help their people get through this challenging and often traumatic period.

CASE STUDY:

The People Dimension of Enterprise Transformation (Merger)

Two oil companies merged to form the largest fuel company in South Africa. The merged entity would control approximately 48 percent of the country's fuel production and 34 percent of the fuel retail market. Deloitte Consulting ran the merger programme office and provided all related consulting services, including human capital consulting. We also helped establish a joint venture that would become the largest South African downstream oil company. Major activities included the following:

Culture and values: Designed a comprehensive cultural framework, including vision, values, cultural attributes, and desired behaviours.

Leadership alignment: Provided real-time coaching and ongoing feedback to help the leadership team align its values and behaviour with the desired culture.

Leading change: Aligned organisational systems, processes, and infrastructure to support the organisational transformation.

Organisational design and HR programmes: Developed a framework and guiding principles for future organisation design. Helped merge and redesign a full range of HR programmes and processes, including job definitions, terms and conditions of employment, hiring and recruiting, compensation and incentives, performance management and evaluation, and workforce transition planning.

Lessons Learned

- Align and engage key leaders early.
- Mind the details, particularly for staffing, job profiles, performance measures, and HR processes.
- Manage organisational change at the macro and micro levels.
- Provide coaching and feedback to help leaders become effective transformation champions.

Make a deliberate effort to connect leaders with employees, and empower line managers to discuss the impending changes with authority.

Leading Change

Communications

A Two-Way Street

Everyone knows communication is essential for change. So why do transforming organisations invest so little time and effort in communicating effectively?

One reason may be that many leaders are reluctant to announce anything until all the details have been nailed down. Unfortunately, with transformation and other large-scale change efforts, the details tend to shift and evolve over time, which means leaders may find themselves waiting a very long time for definitive answers. Meanwhile, employees will have nothing to rely on but rumours and innuendo. Partial information may not be ideal, but in our experience it's much better than the alternative.

Another communication challenge is finding a way to cut through the noise. People today are barraged with information — junk mail, Web pop-ups, TV and radio ads, and spam — and have learned to tune out most of it. How does the organisation get past the filter?

Compelling communication starts with a compelling idea. Transformation leaders should ask themselves: What is the transformation really about? What will its true impact be? Why use this strategy instead of another? If the transformation makes sense, the answers should be compelling.

Just as effective transformation addresses what people see and feel, effective communication also connects with people on two levels: rational and emotional. Rationally explaining the strategy and business case is useful background information, but what every person in the audience really wants to know is: "How will the transformation affect *me*"?



Identify and engage
every relevant
stakeholder group —
don't focus just on
employees.

Keys to Success

Think high-touch, not high-tech. In our experience, passive communications through print and electronic media are usually far less effective than a face-to-face dialogue. Yet many leaders are reluctant to interact with their people. Make a deliberate effort to connect leaders with employees, and empower line managers to discuss the impending changes with authority.

Acknowledge the past. An organisation that has already been through any kind of significant change will naturally want to know how this transformation is different — and when all the changes will stop. Today's effective leaders know the changes will never stop. But, they acknowledge the past changes — regardless of the results — and then clearly articulate how the different initiatives fit together to help achieve a shared goal.

Reach beyond the workforce. Identify and engage every relevant stakeholder group: customers, suppliers, service providers, works councils and trade unions, regulatory bodies, the media, and the community at large. Don't focus just on employees.

Experience beats communication every time. Actions speak louder than words, so get people directly involved in the transformation process.

Establish an interactive dialogue. Two-way communication can help confirm that the audience received and understood the message. It also helps pinpoint potential issues and resistance to change.

Get the story straight. People talk. So to maintain credibility and trust, be sure to deliver consistent messages to every group — both inside and outside the organisation.

“Culture eats strategy
for breakfast”.

Mark Fields, Ford Motor Company's President of the Americas

Leading Change

Culture

Define Your Culture, or It Will Define Itself

Organisational culture has a critical influence on individual behaviour. Yet it's often difficult to get your arms around it until you translate "culture" into its underlying infrastructure and behaviours. Culture is driven by everything from hiring practices, performance measures and leadership style to systems, work processes, and organisational structures. And once established, it can be very difficult to change — particularly when it's not the culture the organisation wants.

The widespread changes associated with organisational transformation usually have a big impact on culture. That's good news for organisations that want to improve their culture and know how to get there. But it's bad news for organisations that ignore the issue of culture — either knowingly or unknowingly — and simply let their culture develop. After all, when it comes to evolution, random mutations are usually not the fittest.

Creating the culture the organisation wants — or preserving the one it already has — requires a deliberate programme that aligns with other transformation activities. Without that conscious effort, it's easy to end up with an organisation stuck in limbo between new ways of working and old modes of behaviour.



An effective culture
is one that creates
sustainable business
value, so focus on what
really matters and
reinforce it.

Keys to Success

Focus on the things that really matter. An effective culture is one that creates sustainable business value, differentiates the organisation from its competitors, supports the unique requirements of the industry, and helps customers get what they really want.

Be consistent. Things that drive behaviour and culture must align with one another. For example, there's no point in implementing a robust performance management system that is not aligned with the processes, systems, and structures that drive everyday behaviour. Misalignment simply confuses people.

Understand the existing culture. Use a structured tool to help identify and review the key attributes of the current culture and how it is likely to be affected by the transformation. Define the processes within the organisation that drive culture and behaviour.

Design the new culture. Transformation can provide a window of opportunity to help improve an organisation's culture. Work with key leaders and stakeholders to determine the desired culture. Identify the key drivers of the current culture, and then develop initiatives to help shift them towards or align them with the culture of the future. Be sure potential merger targets, joint venture relationships, and service providers are compatible with the culture.

Reinforce it. Align all people-related initiatives — particularly rewards and incentives — to help foster the new culture. Establish the right leadership models. Introduce new words and vocabulary that highlight the desired behaviour. Shape internal messages and dialogue to help promote the new culture.

Don't forget about subcultures. In our experience, culture can vary across an organisation. For example, the culture in IT or Finance tends to be very different from the culture in Sales. Similarly, in a global organisation, the organisational culture from one country to another can often be very different. These variations should be understood and accommodated.

We believe that a well-designed organisational model is essentially a prerequisite for transformation.

Organisation and HR

Organisational Design and Governance

Going Beyond Sticks and Boxes

Many transformations can have a major impact on organisational structure. In fact, we believe that a well-designed organisational model is essentially a prerequisite for transformation, providing a platform for unlocking the full capabilities of people, processes, systems, and channels. Also, from an employee's perspective, a restructured organisational model is often one of the most tangible outcomes of the entire transformation effort.

An organisational structure isn't just a bunch of boxes and lines on a page or a map of reporting relationships. It represents the fundamental components of the organisation — and how they relate and interact. Accordingly, the area of organisational design and governance can encompass everything from determining who does what, how decisions are made, and how work flows to defining the competencies and standards against which employees are evaluated. It also can define service levels, vendor relationships, and more.

For example, with sourcing transformations, a recent study¹ showed “loss of control” is the number one concern for senior executives, with 35 percent citing it as a significant issue. Organisational design can address this challenge by specifying exactly which activities the vendor will perform and what the retained organisation will do. It also can specify how results and performance will be measured and reported, how issues will be resolved, how the relationship will be managed, the key contact, and exactly what service levels are expected.



¹ “Calling for a Change in the Outsourcing Market — The Realities for the World’s Largest Organizations”, Copyright © 2005 Deloitte Development LLC. All rights reserved.

Business strategy is often the single most significant driver of organisational design.

Keys to Success

Start with strategy. Business strategy is often the single most significant driver of organisational design. Yet in our experience, a surprising number of organisational structures do not align with the business strategy they are supposed to support.

Get key stakeholders involved. Senior executives and other key stakeholders have a keen interest in organisational design because it determines how decisions are made and who controls key resources. To avoid problems down the road, be sure to involve them throughout the design process.

Design organisations with pencil, not pen. When it comes to organisational design, we believe that there is no such thing as “final”. Designs are driven by business strategy and structured around core processes, systems, and customer channels — and often require several iterations before an agreement is reached. Also, organisational structures are constantly evolving to reflect changes in the strategy, organisation, and marketplace.

Develop an implementation plan. A new organisational structure can have a significant impact on people’s jobs and careers and, thus, requires careful planning and stakeholder engagement to help avoid a backlash. Simply unveiling the new structure and telling people to “do it” is generally not enough — even if the design is brilliant.

As critical talent becomes increasingly scarce, leading organisations are changing the way they hire, develop, and retain workers.

Organisation and HR

Talent Requirements and HR Programmes

Can't Buy Me Love

HR programmes that help the organisation understand and manage key talent are critical for a sustained transformation effort. In the past, much of the focus was on salaries, benefits, and bonuses. But as critical talent becomes increasingly scarce, leading organisations are changing the way they hire, develop, and retain workers. Use transformation as an opportunity to switch from a paternalistic rewards approach to an interactive rewards dialogue. Solicit input and feedback from your critical workforce segments on how to design and operate rewards programmes. By doing so, the organisation can increase the likelihood of offering people what drives and motivates them.

In addition to offering competitive salaries and benefits, these organisations should provide workers with the other things they care about:

- Opportunities to *develop* their skills and capabilities
- Being *deployed* on work that fits their strengths and interests
- Being able to *connect* with other people in a meaningful way

We believe the principles of Develop-Deploy-Connect are key to increasing employee loyalty and productivity — and transformation can provide a significant opportunity to put them into practice. In the short term, these principles can be used to design new roles and structures for the transformed organisation and to attract new talent to fill critical skill gaps. In the long term, they can provide a foundation for ongoing HR programmes and practices, including hiring practices, incentive programmes, compensation, and training.



Workforce planning
and talent management
shouldn't be conducted
in a vacuum.

Keys to Success

Start with critical workforce segments. There are certain people the organisation simply cannot afford to lose (and they aren't always the ones with the most impressive job titles). These people may have a rare and valuable skill or perform work that directly aligns with the organisation's strategic objectives. Whatever the reason, it's important to identify these critical segments and meet their requirements.

Align with business strategy. Workforce planning and talent management shouldn't be conducted in a vacuum. Align these activities with the organisation's strategic needs, addressing potential resource shortages before they occur.

Measure effectiveness through an interactive rewards dialogue. People are often an organisation's most expensive and valuable asset. Yet many organisations just benchmark their rewards programme with external companies and don't analyse internally the effectiveness of their talent management and rewards programmes. That's like throwing money into a wishing well.

Be sure vendors manage talent properly. A sourcing transformation shifts the organisation's work activities to a third-party vendor. But that third-party vendor — and its employees — ultimately still work for the organisation. To increase the likelihood that vendors deliver top-notch efficiency and performance, encourage them to use the principles of Develop-Deploy-Connect when managing their own talent.

CASE STUDY:

The People Dimension of Sourcing Transformation (Shared Services)

A rapidly growing global pharmaceutical organisation needed control of its indirect procurement. The organisation was spending more than \$2 billion annually on indirect materials and services. Yet its highly fragmented purchasing systems and processes prevented it from exercising its full buying power and exposed it to such risks as employee misconduct and regulatory noncompliance.

Deloitte Consulting helped the company implement a new procure-to-pay process and shared services centre across its entire European operation, which spanned 89 legal entities and 11 countries, as well as seven languages and three currencies. Major activities included those listed below (refer to the PDT Framework on page 12):

People risk and impact management. Anticipated and addressed people-related issues and impacts. Defined required behavioural changes, helped identify barriers to change, and defined action plans to help overcome resistance.

Stakeholder engagement. Identified key stakeholders, involving them and soliciting their feedback throughout the transformation.

Communication. Provided continual and targeted communication to all stakeholders.

Learning and capability transfer. Developed training programmes and materials. Collaborated and shared leading practices across countries to create a high-performance team.

Talent requirements and HR programmes. Designed programmes for talent development and retention. Offered clear career paths and opportunities.

Organisation design. Designed and implemented the new organisational structure, governance model, roles and responsibilities, business objectives, and performance measures.

Lessons Learned

- Involve the existing HR function early.
- Communicate candidly and consistently.
- Share learning across the organisation.
- Use role-based training tailored to the needs of each audience.

Workforce transitions
should never become
emergencies or happen
by chance.

Organisation and HR

Workforce Transition

Hard Heads. Soft Hearts.

In our experience, this is the one part of transformation that almost everyone dreads. Employees worry about losing their jobs or adjusting to new positions. Meanwhile, leaders lose sleep over the tough decisions they need to make and the most effective way to handle them. Move too quickly or decisively and people who are not being retained may leave whilst they are still needed, disrupting operations and knowledge transfer. Move too slowly — or communicate too vaguely — and strong performers might take control of their own destiny and find other jobs.

We believe that the most effective way to confront this difficult and unpleasant task is through a structured, rational strategy and approach that leaves little to chance. Workforce transitions require short-, medium-, and long-term preparation and planning. They should never become emergencies or happen by chance.

An effective workforce transition strategy articulates why the changes are necessary, whilst creating optimism about the future — even for those who are not part of the organisation's future. It also answers specific questions, such as:

- How many employees are transitioning — and which ones?
- Are they the right people with the right knowledge?
- What should we do to assist people not selected for the new organisation?
- If the business case includes headcount savings, how will that value be measured and tracked?
- How do we provide a smooth transition for individuals — and for the organisation as a whole?

An effective plan should include specific provisions for working with labour unions and works councils.

An effective plan should also include specific provisions for working with labour unions and works councils. Although workforce transition issues are never easy, a collaborative approach can make the process less painful and can usually produce a more effective outcome. Remember, it's in everyone's self-interest to help the organisation survive. A constructive relationship between the organisation and works councils can help that happen.

Keys to Success

Retain key staff. Identify top performers and other key staff who are critical to the organisation's future results. Let them know they are not at risk.

Minimise disruption. For employees who will not be retained, offer special incentives to encourage them to stay through the transition period.

Capture knowledge. In a recent Deloitte Consulting study,¹ nearly one-third of respondents, senior executives, cited a "loss of institutional knowledge" as their top transformation concern. To help minimise the problem, establish formal processes and systems to transfer and capture organisational knowledge — particularly for sourcing transformations.

Be kind but confident. Being let go — or seeing colleagues let go — is difficult. But it's even more difficult when decision-makers appear unsure of themselves. Kindness and sympathy are good, but there should be no doubt that the decisions were necessary, appropriate, and final.

CASE STUDY:

The People Dimension of Functional Transformation (Finance)

An international conglomerate of advertising agencies had acquired more than 400 agencies since 1999, but had done little or no integration. By 2003, the organisation had more than 850 separate accounting locations using a wide range of financial systems. This presented significant compliance issues — lack of transparency, inconsistent controls, limited agency accountability, and frequent restatements — and also led to inefficiencies that eroded margins and made it difficult to compete for new business.

¹ Source: *Deloitte Consulting Outsourcing Study, October–December 2004, Copyright © 2004 Deloitte Development LLC. All rights reserved.*

Deloitte Consulting helped plan and manage multiple projects to transform the organisation's Finance function and shared services capabilities. Major activities included the following:

Risk and impact assessment. Conducted an organisational change readiness review to help identify potential implementation risks and recommended actions.

Leadership alignment. Established leadership alignment and a commitment plan involving roadshows with senior executives for a multi-year transformation effort. Helped ensure consistent communication, visibility, and behaviour via roadshows, town hall meetings, and an employee newsletter.

Communications. Provided clear, accurate, and timely communication to employees, fostering support for the transformation across the organisation. Supported calls with external analysts. Created a branding strategy and logo for the transformation initiative.

Culture. Defined a vision and core values for the shared services function, ideas that were later embedded into the organisation's core talent management programmes (recruiting, performance management, job design, and training).

Workforce transition. Retained key performers and made the transition to shared services without disrupting the business. Developed a strategy and plan for labour relations and workforce transition (e.g. retention and outplacement).

Learning. Provided tools and support to help employees adapt to the new environment. Developed modular training materials, such as exercise guides, instructor presentations, and student guides.

Lessons Learned

- Manage and execute all transformation work streams as a single, coordinated programme.
- Establish strong commitment and visible support from senior management.
- Focus significant attention on workforce transition planning early on to help avoid losing critical knowledge and skills.
- Communicate employee options as early as possible (ambiguity can affect performance).

In our experience many organisations spend huge sums of money on new technology, and then try to cut corners on training.



To capture the full value of a transformation investment, we believe comprehensive learning programmes are essential.

Learning

Learning and Capability Transfer

Start Early. Never Stop.

We believe that to help optimise the investment in new business models, technologies, and processes, a formal and deliberate programme of education and skills development for all people affected by the transformation is essential. Yet education and training are usually near the bottom of the organisation's transformation to-do list.

For example, in our experience many organisations spend huge sums of money on new technology, and then try to cut corners on training. The result? Fancy new systems are operated by people who know how to use only a fraction of their capabilities, or people who hide under their desks to avoid having to change.

To capture the full value of a transformation investment, we believe comprehensive learning programmes are essential. These programmes should be targeted to everyone who operates in the new, transformed environment — including managers, staff, vendors, and out-sourcers — not just people whose jobs are directly affected by the changes.

Also, training and education shouldn't focus only on procedures or on how to use the system. They should cover everything from processes to technology to customer service and more. In some cases, they might even address such issues as leadership, vendor management, cultural sensitivity, and managing virtual teams.

It's never too early for learning. In our experience, many organisations treat learning as an afterthought — throwing it together at the last minute. A more effective approach would be to establish a dedicated learning team early on, letting it work with the other project teams to confirm the appropriate training is in place when it's needed.

Tweak the approach. Training should be tailored to specific individuals and stakeholder groups based on their role in the new organisation.

Hit 'em again. Once the initial training has been completed, refresher courses and advanced training can help reinforce skills and build new capabilities. New technologies, such as e-learning and podcasting, can also help strengthen the lessons from the training room.

Shape behaviour. Supplement hard-skills training with behavioural learning programmes that help people operate effectively in a new and complex organisation. These programmes can also reinforce key elements of the new organisational culture.

Think outside the classroom. Traditional training sessions are just one of the many ways to help increase performance and productivity. To help achieve a cost-effective learning programme that truly delivers results, tailor the approach to the audience and content.

Measure effectiveness. It's not just about how many people are trained; it's about whether those people can perform effectively in the new environment.





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Continued on page 59

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