HOW CHIEF PEOPLE OFFICERS FLIP THE ODDS IN TRANSFORMATION

By Lorraine Murphy, Jens Jahn, and Reinhard Messenböck

I N ANY TRANSFORMATION OF a large company, a disproportionate burden inevitably falls on the chief people officer (CPO). It's true that transformations are generally initiated outside of the HR department, such as when a company makes a major acquisition, undertakes a business model shift, or digitizes large portions of its operations. Sooner or later, though—because of the fundamental role that people play in every major organizational change—the CPO will have a central role in implementing it.

Inconsistent or inaccurate information often complicates the effort. For instance, we've seen situations where leaders have provided assurances to individuals that they would be part of a reorganization—only to have the guarantee vanish a day or two later. We've encountered other situations where leaders can't answer questions related to the transformation or where different leaders answer the same questions in different ways. And in some situations, leaders don't communicate at all for critical stretches—leaving hundreds and some-times thousands of people to speculate about what's coming.

On the basis of our work with clients and our many conversations with CPOs, we've compiled a set of ten rules to help CPOs successfully manage large-scale trans-formations. Some of the rules may be more important than others, depending on a transformation's special circumstances. But they should all be considered. With transformations becoming more frequent in an era of digitization and changing cus-tomer expectations, CPOs should have the broadest possible perspective.

Get Senior Leaders to Agree on the Targets and the Ultimate Goal of the Transformation

Executive alignment is a prerequisite for every transformation. It's the job of the CPO to facilitate this alignment as it relates to HR and people topics. It's also his or her job to document the decisions and turn them into shared accountabilities that everyone across the company can focus on.

The how of it: <u>The people aspects of a transformation are so complex</u> and contentious that alignment isn't possible through piecemeal meetings or by getting buy-in from only a subset of the company's executives. Topics such as organization design, new hires, and promotions must be described, discussed, and applied consistently. At least at the beginning, the whole leadership team needs to participate in dedicated weekly discussions. Don't be afraid to schedule the initial meetings for 90 minutes or more. Chances are you'll need it.

Cascade the Transformation to Other Levels of Management Using All Available HR Tools

The transformation needs to be led by all managers and executives, not just those in the C suite. As change agent No. 1, the CPO (and the broader people team) can accelerate the transformation by using the change roadmap to inform common HR tools, from job descriptions to retention instruments.

The how of it: Midlevel executives and department managers generally take quantitative goals seriously. Look for ways to embed transformation targets in those managers' quarterly performance reviews, and reinforce expectations through biweekly or monthly touch points.

Devise a Plan for Keeping the Skills and Talent You Need

The bridge to a successful future generally includes the majority of your current workforce. That's where your critical talent lies, and it's the likeliest source of your future leaders and role models. This is not to say that transformations don't involve the recruitment of new talent—usually they do. Invariably, though, you'll also identify crucial population groups in-house that you want to keep.

The how of it: Establish a process for identifying the skills you'll need when your reinvention is complete. Know which people have these skills, and regularly remind these individuals of their importance.

Pay Special Attention to Cultural Issues

Whether your culture is a strength to be preserved or one of the things you're trying to change, it should be an explicit part of your transformation planning. Dealing with culture head-on gives you the best chance of retaining the people you need, at the levels of engagement and performance that are required.

The how of it: The question to ask with respect to culture is, "What are the behaviors we want to see in the reimagined company?" For instance, it may be that your company has gotten where it is through a culture of intense peer competition but that the future you envision will require much more cooperation. As CPO, you should make sure that new desired behaviors become an explicit part of all managers' performance reviews. Reinforcement can also come through changes in a company's operating model or organization structure and in the allocation of decision rights.

Take a Holistic, Enterprisewide Perspective—and Avoid Silo Thinking

The temptation to take a silo perspective, which is common at large organizations to begin with, intensifies during transformations owing to the uncertainty and the possibility of personal job disruption. Indeed, transformations can lead to a kind of hunkering down, as though the transformation were a storm that has to be waited out. This is a counterproductive mindset. It is the CPO's job to promote cross-departmental, cross-functional cooperation both through communication and by supporting leaders as they deal with the complexity and ambiguity of the changes.

The how of it: The removal of interdepartmental boundaries is a process—one best managed by the whole HR staff. The HR managers responsible for specific areas, whether functions or geographic regions, should use their touch points with those areas to reinforce cross-functional targets and engage with business partners in order to promote better cooperation.

Make Sure the Central HR Team Is Ready for Its Heightened Role in the Transformation

Because many tools used during transformations are common to HR—including tools related to performance management, learning and development, and role descriptions—HR staff may underestimate the task that's before them. The fact is that business-as-usual HR processes are generally not sufficient to deliver large-scale changes. So it's important for the HR team to develop optimized processes for the transformation.

The how of it: You will need your best HR people's best ideas. Consider setting up a full-time task force to support the transformation and improve both quality and the speed of delivery. Come up with an expectation-setting mantra—for instance, "first time right." And don't forget that the people you're recruiting for the task force will be worried about their prospects after the transformation is complete and the task force disbands. It's your job to make these recruits understand the value they could bring and the positive effect that participation could have on their careers.

Partner with Finance and Transformation Executives on All People-Change Economics

Behind every transformation is a goal of delivering something of value to customers; there is also a cost of doing so. This quantification should be done in coordination with the finance team (often directly with the chief financial officer) and the chief transformation officer (CTOs are put in place by some companies to increase their chances of success). The purpose is to develop a variety of numerical goals, in areas including head count, diversity, engagement, and safety.

The how of it: The complexity around quantification argues for a single document: one recognized source of truth. Consider using a multidimensional scorecard. Once developed, such a scorecard can be updated regularly and should become a reference

point for senior leaders as the transformation progresses.

Tie Staffing Decisions to Hard Data—and Turn This Discipline into the New Normal

Most companies are at least a little bit reactive in how they set head count and talent goals for their departments. That is, they start from what they have today, rather than from a strategic plan. It's important to let go of such fuzziness and decide exactly how many people you need in each department, doing precisely which jobs. And then it's important to manage the population to these levels—whether that means hiring, qualifying, or reducing staff. This kind of tracking is an excellent way to see how a transformation is progressing. It can also help embed gains from the transformation in the company's future operations.

The how of it: If your organization doesn't have a position management system, a transformation is a great time to build one. Such systems help define the new normal of staffing that should, ideally, emerge as part of any transformation.

Ensure Communications Messages Support Key Aspects of the Transformation Plan

Well-designed and executed communication is a key success factor in transformation. During transformations, organizations are on edge and gossip is common; morale may turn negative. In such an environment, clear, regular, truthful communication is essential. So is coordination with your communications department. You should always be thinking about the fastest, most complete way of delivering transformation-related information to the people who are affected.

The how of it: Although in the past you may have had only selective interactions with the head of external communications, this must change during a transformation. Employees will pore over every major external release as though it were of direct personal importance to them. It's essential to align

the communication and people-change roadmap.

Upgrade Existing HR Processes to Handle the Special Demands of a Transformation

Your HR department already has an approach to performance management and employee evaluations; it already uses regular feedback meetings with managers to discuss the organization's ongoing people goals. But these processes often have flaws—namely complexity and lengthy completion times. You should use the transformation as an opportunity to rethink these processes so that they speed rather than slow your efforts. For example, a streamlined performance management process—identifying 3 particularly critical targets instead of 12—could serve as a reinforcing mechanism during a transformation effort.

The how of it: If you aren't already using HR scorecards, now may be the time to start. Scorecards can be great in supporting transformation-related objectives, such as an increase in diversity or technical talent.

THESE RULES ARE not intended as an answer for every CPO in every organization—or in every situation. Rather, they reflect the most common moves that we have seen CPOs make as part of successful transformations in a variety of industries and regions. There is no one right path in a transformation—every CPO has to improvise in order to get to the destination. Still, it helps to see the footprints that others have left along the way.

About the Authors

Lorraine Murphy has spent many years doing organizational transformations. She was formerly the chief people officer at National Australia Bank, Air New Zealand, and Australian Gas Light. You may contact her by email at murphylorraine142@gmail.com.

Jens Jahn is a partner and director in the Stuttgart office of Boston Consulting Group. He has led the change and HR side of digital transformations, post-merger integrations, reorganizations, and restructurings in various industries. You may contact him by email at jahn.jens@bcg.com.

Reinhard Messenböck is a managing director and senior partner in the firm's Melbourne office. He leads BCG's change management topic and has been an advisor on large-scale transformations in multiple countries. You may contact him by email at messenboeck.reinhard@bcg.com.

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