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3 Change Conversations Every CEO Must Have with the Head of HR

Overview

Change is the new normal in today's work environment, yet it keeps most CEOs up at night. If you are not currently in the midst of a major enterprise-wide change initiative, chances are you are just about to embark on one. Nearly all organizations (99%) have undergone a major enterprise-wide change in the last three years. Only one in three of these change initiatives, however, is successful.

Organizations must change faster now because external forces are rapidly remaking the competitor landscape, dramatically increasing the potential for industry disruption. Yet most struggle to keep up, and it is not hard to see why. Organizations are getting larger (the smallest company in the Fortune 500 has five times more revenue today as in 1990) and more complex. The average organization, for instance, takes 10% longer than it did just a few years ago to complete an IT project and 50% longer to hire a new employee.

As CEOs exhort their businesses to move faster, most businesses actually suffer from an overly slow corporate clock speed. On average, one-third of each function's working time is misdirected to the wrong activities, or "wasted," because the organization's change strategy is not relevant to an employee's day-to-day work.

"You must always be able to predict what's next and then have the flexibility to evolve."

Marc Benioff, CEO of Salesforce

Figure 1: Time Wasted Due to Slow Execution, by Function

n = average of 567 staff per corporate function.
Source: CEB 2017 Functional Activity Speed Test.
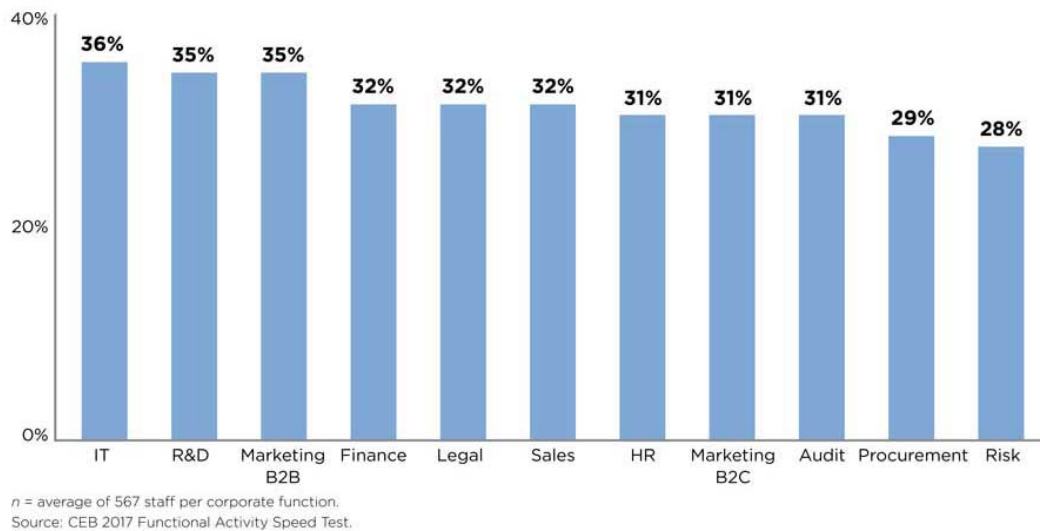
CEOs today frequently hail technology investments as a key mechanism for improving corporate clock speed. However, most changes today fail as a result of the talent implications of change, not a lack of technological sophistication. And it's not that CEOs have the wrong people in seat; our research shows employees often have the skill—and even the will—to change. Rather, the root of the problem is that organizations improperly equip their people to move quickly through a change.

The key to accelerating execution speed through your talent strategy extends beyond trying to shift employees' mind-set about change—it requires actually guiding them on how to act differently. Thus, the chief HR officer (CHRO) is the CEO's key advisor to ensure employees receive this guidance to actually get the workforce to move faster. Working together, the CEO and CHRO can overcome the chronic and seemingly intractable talent challenges that cause so many changes to fail as soon as they move from paper to people.

Here are three key conversations CEOs and CHROs must focus on right now to increase corporate clock speed and pave the way to successful change. Our research has found that when organizations successfully manage these aspects of a major enterprise change, they double the likelihood that their enterprise change will succeed:

Conversation 1: Open Up Decision Making to Delegate for Speed
Break the trade-off between global consistency and local relevance in decision making by selectively including the right employees to actively shape your change implementation strategy.

Conversation 2: Empower Employees to Control the Enterprise Change Narrative

Communicate the complete context for change (good and bad) while empowering employees to create their own stories to convert anxiety and indecision into a sense of control and a plan of action.

Conversation 3: Rethink Individual Employee Accountability
Work with your executive team and head of HR to clearly outline how every level of the organization, not just leadership, is held accountable for change.

Conversation 1: Open Up Decision Making to Delegate for Speed

Despite conventional wisdom, centralizing decision making within a small group of leaders can actually slow down your organization's ability to respond to change. Execution slows when leaders fail to realize their decisions cause friction at lower levels and employees do not know how to respond.

Instead, organizations should adopt a more open decision-making model where employees co-create change strategy, similar to how open-source software works. That is, CEOs should focus on including the right stakeholders at the right time. This model isn't about slowing the decision making down by driving toward consensus; rather, it is about ensuring that leaders integrate voices in the right way.

Most leaders accept this idea but fail to act on it. Soliciting employee perspectives on change strategy itself may seem counterintuitive, but ensuring that plans are relevant and understood by frontline staff from the start will accelerate change, as organizations are much more likely to get decisions right the first time. Our research reveals three principles for the best approach to co-creating your change strategy:
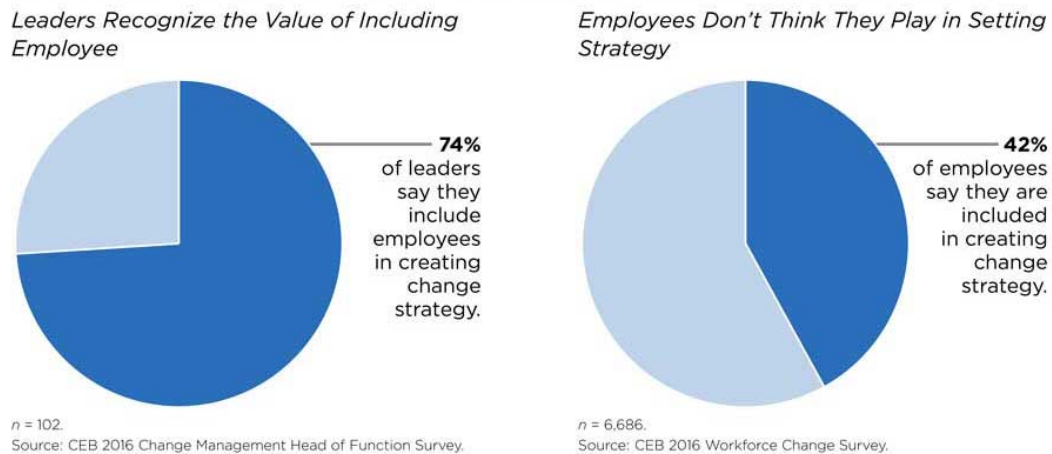
1. **Selective Participation—**Instead of trying to include all employees in decision making, selectively include only the most relevant employees. It is easy to include too few employees, but organizations are constrained by the time and resources they have to gather feedback. Speed and scale require targeting employees who are knowledgeable and are most likely to object to these decisions. This approach ensures solicited feedback is relevant by prioritizing employees closest to the change.

2. **Early Transparency—**Instead of just sharing a finalized version of your strategic vision, give employees real options for the future path before making a final determination. And rather than just communicating the final decision, leaders should be transparent about how and why they came to the decision and who was involved. By creating an inclusive decision-making process, leaders expand employees' view of how the organization is working.

3. **Differentiated Involvement—**Instead of pursuing a uniform approach to gathering employee input, align the contributions of select employees to their unique expertise and the change requirements. Without actually giving employees the autonomy to control the change, you can involve them in decision making in a trusting environment for constructive disagreement. This leads to a shared understanding of the challenges both leaders and their employees face.

The cascading effects of this Open Source change strategy are significant. First, it enables you to anticipate differing employee perspectives and potential resistance. By proactively seeking employee feedback, organizations can integrate it into the change plan rather than adjusting for it later or starting over when adverse results stem from employee misalignment. As executives tell us, speed is as much about getting change right the first time as it is about moving quickly.

In addition, when employees are charged with executing a change strategy that more accurately reflects their everyday work experience, they are better equipped to handle more decisions independently. This ability to devolve decision making gives organizations a real competitive advantage. In fact, an open-source approach can decrease change implementation time by one-third, a huge boost to the speed of change execution.

Figure 2: Leaders Want to Include Employees, but Employees Don't Feel Involved

Leaders Recognize the Value of Including Employee

74% of leaders say they include employees in creating change strategy.

n = 102.
Source: CEB 2016 Change Management Head of Function Survey.

Employees Don't Think They Play in Setting Strategy

42% of employees say they are included in creating change strategy.

n = 6,686.
Source: CEB 2016 Workforce Change Survey.

Summary of Conversation 1

What CEOs Should Stop	What CEOs Should Start	What CEOs Should Ask Their Head of HR
▪ Restricting decision making to a small group of leaders.	▪ Selectively including the most relevant employees in shaping	▪ What decisions should be opened?

What CEOs Should Stop	What CEOs Should Start	What CEOs Should Ask Their Head of HR
▪ Only soliciting employee feedback after change strategy is set.	change decisions, based on employee profile (e.g., expertise, relationship to customer). ▪ Proactively communicating to employees why they are or are not involved in decision making (e.g., time, legality, relevance).	▪ Who are we currently excluding from those change decisions?

Conversation 2: Empower Employees to Control the Enterprise Change Narrative

To create a workforce that adapts quickly, leaders must empower their employees to work through the ambiguities of change rather than always escalating their issues and waiting for someone else to handle the problem—or worse, doing nothing. Well-meaning executives respond by approaching change with storytelling that prominently features one or both of the following communication strategies:

- Over-sharing data and information on firm operations to inform employees about where the business is going and what they should do as a result

- Over-promising on the benefits of change to convince employees the organization has their best interests at heart

However well intentioned, over-sharing leads to more confusion and decision paralysis as employees struggle to contextualize and apply high-level insights to their work. Most employees, for instance, are not able to use the financial data their organization shares with them. Also, it may not be wrong to highlight the change's benefits to employees, but at best over-promising presents an incomplete picture of the change. At worst, this messaging is viewed as "tone deaf" and unrealistic.

Efforts to ensure employees see personal benefits in the change don't improve the probability of change success. However, if employees understand the reasons for the change, the probability of success substantially improves. In short employees have to "get" the change, not like it.

Thus, it's critical to realize that CEOs and executives do not need to control the change narrative, and relying on traditional leader-led storytelling to guide employee actions is not the best way forward. In fact, only 30% of employees believe their leaders communicate effectively about the purpose of the change, and only 26% believe their leaders communicate effectively about how they should do their job differently during

a change. Instead of using a storytelling approach, leaders can better engage with their employees by listening to, not just talking at, them.

A listening-first approach that is facilitated by leaders but focused on peer-to-peer conversation helps employees articulate their anxieties and assumptions about the change. Once articulated, those anxieties and assumptions can be explored and questioned. Employees can then separate their feelings from rational responses to change and attain a greater understanding and a sense of control over the change. This helps employees more directly engage with the change initiative.

Proactively managing employee anxieties that arise from change allows employees to work through these difficulties to more quickly support the change. Ultimately, these types of conversations build employee capability, which is the strongest predictor of change success. They also inform employees' thinking as they face new situations that may be unfamiliar or uncomfortable to them, allowing the organization to move more quickly.

Case in Point: Liberty Mutual's Change Conversations

Executives at Liberty Mutual realized that top-down communication was not enough to engage frontline employees. To complement the traditional approach to change management and communication, facilitators delivered workshops focused on change ownership. These workshops gave employees a voice in the change and provided a sense of cocreation as opposed to a feeling that the change was being done to them. Two steps were important in Liberty Mutual's approach:

1. **Identify employees' fears and assumptions to drive change ownership.** Organize workshops for employees to discuss their emotional responses to change and transform their normal feelings of nervousness about change into a sense of control.

2. **Provide questions to help employees personalize change actions:** Use question-based action plans instead of to-dos dictated from the top to help employees think through the personal implications of change and foster productive change dialogue.

Summary of Conversation 2

What CEOs Should Stop	What CEOs Should Start	What CEOs Should Ask Their Head of HR
▪ Building employee commitment to change by communicating the positives of the change.	▪ Building employee capability by facilitating open dialogue about what the change will	▪ What role should executive leadership play in enabling employees to tell their own stories?

What CEOs Should Stop	What CEOs Should Start	What CEOs Should Ask Their Head of HR
▪ Using CEO and leadership-led town halls and focus groups as the primary means to communicate the change.	mean for them (good and bad). ▪ Equipping managers to provide the right local context and translate change objectives for employees.	

Conversation 3: Rethink Individual Employee Accountability

Ask any leader for tips on how they hold employees accountable to objectives, and one suggestion is often "you can't manage what you can't measure." Despite the cliché, our research shows that over half of employees and managers say their leaders do not clearly outline change success metrics. Moreover, half of all leaders don't even feel they know whether a recent change has succeeded in spite of the proliferation of data available to them.

This inability to understand how the initiative is progressing often results from a misalignment between metrics and the change objectives they are supposed to be linked with. The challenge becomes even more pronounced as change objectives cascade down to the workforce, where the metrics often do not capture the most relevant aspects of the actual tasks employees face to implement changes.

It is vital to set up an appropriate accountability framework for change to move at the pace required by the business. As the change initiative progresses, aspects of the strategy will inevitably need to evolve to reflect these updates. As a result, the way you hold employees accountable for change likewise needs to be incremental and flexible to ensure you can move quickly and adapt when necessary.

Employees must operate in an accountability structure that reinforces flexibility and speed, rather than one that rewards them for blindly following change "rules." Executives tell us that typically rigid change accountability structures create an illusion of progress, but objectives quickly become misaligned with the change goals, so employees' day-to-day work does not advance firm strategy. Organizations instead must provide employees the necessary tools and processes to translate change objectives for their individual roles, which allows employees to truly build and sustain line of sight between their role and the strategic change objectives.

Case in Point: Salesforce's V2MOM

Salesforce uses its V2MOM tool (vision, values, methods, obstacles, and measures) year-round to ensure organizational alignment and the ability to move quickly. This approach encourages each employee to develop his or her own vision aligned with the organization's vision and goals. It also ensures that employees engage with organizational changes to put them in their own context. There are four basic steps to Salesforce's approach:

1. **Provide an inspiring organization vision to align employees on common goals.** Guide every employee to develop his or her own vision of contribution aligned with the organization's vision and goals.

2. **Empower employees to support organizational goals in their own context.** Help employees prioritize how they spend their time and resources by allowing them to put the organization's goals in their own context.

3. **Update V2MOMs to keep them relevant.** Employees update their V2MOMs whenever their or the organization's priorities shift, ensuring the tool remains relevant throughout the year.

4. **Share V2MOMs to create a feedback loop between employees and the organization.** Teams share and collaborate on their V2MOMs, ensuring everyone is on the same page and able to execute the changes.

Summary of Conversation 3

What CEOs Should Stop	What CEOs Should Start	What CEOs Should Ask Their Head of HR
▪ Creating broad, standardized employee objectives related to the change. ▪ Measuring progress solely based on final outcomes.	▪ Providing employees and managers with the tools to customize and set their own individual change objectives. ▪ Setting interim adoption goals that allow accountability to be adaptable based on individual business unit needs.	▪ What do we need to provide to employees to create their own plan for change?

Extending These Conversations Across the C-Suite: What to Expect from Your CHRO

As distracting as enterprise changes can be for employees, they can be even more distracting for the executives who lead them. These changes frequently sow the seeds of career making—and career ending—moments. In the highly politicized leadership environment these changes can create, your head of HR has a vital role in managing executive team effectiveness during change to keep them focused and objective.

CHROs often cite coaching and mentoring the leadership team as a core aspect of their job and an area where they continually prioritize improving their own skills. In response, CEOs must set a clear mandate for their senior HR executive to defray the political risks associated with how leaders respond to change, employing both proactive and reactive interventions.

Proactively, heads of HR should conduct individual discussions or facilitate group conversations via tactics such as a "pre-mortem" exercise. In a pre-mortem, participants hypothesize and create a narrative about the why the change will fail in the future. This tactic helps break internal biases, challenge preconceptions, and encourage creative thinking. The emerging hypothetical narrative about the deal's failure allows for better decisions through a realistic assessment of future opportunities and challenges.

Reactively, when problems arise, heads of HR should focus executives on "working the problem"—analyzing the work of the leaders, not the leaders themselves, to maintain both quality and speed of execution of change goals. Focusing on misalignments in the executive workflow rather than the individual executive closest to the misalignments minimizes the unnecessary distraction of personalities and career derailment.

These reactive discussions should be fairly quick (20–40 minutes) to prevent dwelling or side-tracking, and start by realigning the executive team around the original end goal. They should emphasize what's actually occurring—both positive and negative—in order to analyze why the outcomes are occurring and focus on future improvements. By creating actionable ways to clear up problems, you allow executive teams to move through change more seamlessly.

Conclusion

CEOs have a very important role to play in enterprise change, but unless they establish a clear talent strategy aligned to the change, the organization will not move quickly enough to survive. Pushing decision making down within the organization ensures that relevant stakeholders are able to quickly assess and act on change. In addition, empowering employees to adapt senior leader guidance as needed, based on their frontline knowledge, allows for more flexible and impactful change plans and for

innovation to occur. Accountability for the change is a necessity, but the traditional approach of giving employees broad objectives makes it hard to connect the change to their workflows and does not give enough specific guidance for them to be able to prioritize when change presents ambiguity.

By clarifying where decisions are being made, ensuring their relevance, and then holding employees accountable to ensure these decisions are carried out, you ensure that the change not only moves more quickly but is also open to course-correction to clarify aspects that prove to be unfeasible.

"Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. It's not about money. It's about the people you have, how you're led, and how much you get it."

Steve Jobs, former CEO of Apple

About This Research

1. We surveyed over 6,600 employees and 100 heads of HR around the globe and interviewed over 100 heads of HR to test 500 potential drivers of successful change.

2. We conducted regression analyses to identify the most significant drivers of change success based on the importance and performance against change goals.