



THE BOSTON CONSULTING GROUP

THE NEW NEW WAY OF WORKING SERIES

DIGITAL-ERA CHANGE RUNS ON PEOPLE POWER

By Stéphanie Mingardon, Meldon Wolfgang, Perry Keenan, Audélia Krief, Annabel Doust, and Florence Adida

THE ONLY CONSTANT IS change. It's an old saying with new meaning for companies that are remaking their operations to address digital forces and other trends shaping work and the workplace, including the need for purpose, speed, inclusiveness, and transformative behavior change. Instead of viewing change management as a one-time proposition—a project to be accomplished in a month or a year—they need to approach it as an ongoing process. And the best way to do that is to put people at the center of their efforts.

In our work with organizations around the world and in a variety of industries, we have found that putting people first can lead to innovative thinking and dynamic results—but only if change programs include these people-centric approaches:

- Catalytic leadership, to energize people and give purpose and meaning to work
- Agile ways of working, to streamline decisions and accelerate the rollout of new products and services

- Engagement, to give everyone a chance to be heard, regardless of position
- Digital nudges, to encourage people to adopt new ways of working and thinking that lead to long-term behavior changes

A different change management process is just one response to the realities of doing business in the 21st century that BCG explores in the *New New Ways of Working* series. (See *Twelve Forces That Will Radically Change How Organizations Work*, BCG Focus, March 2017.)

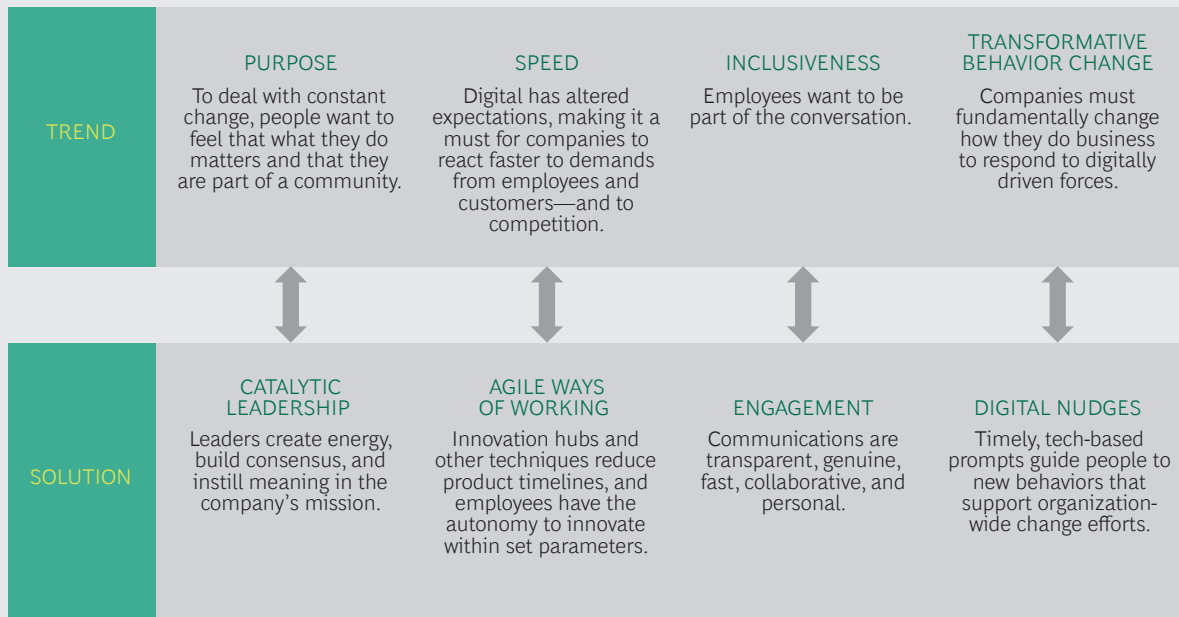
Adapting Change Management for the Digital Era

Those four people-centric approaches to modern change management have emerged as a response to several overarching trends affecting business. (See Exhibit 1.)

PURPOSE

People's attitudes toward work have shifted. They want their jobs to have meaning,

EXHIBIT 1 | People-Centric Approaches in Response to Four Workplace Trends



Source: BCG research.

and they want to feel that what they do matters. Giving employees a sense of purpose can help counteract the effects of asking them to work in a perpetual state of change, which can be confusing, exhausting, and demoralizing. Providing purpose also has become important in establishing a sense of workplace community at a time when digital technologies reduce face-to-face interactions with coworkers and customers. (See *Purpose with the Power to Transform Your Organization*, BCG Focus, May 2017.) Lego Group, the Danish maker of the iconic building bricks, energizes employees by building the purpose of empowering kids through learning and play into its corporate mission.

SPEED

Our increasingly digital society has changed the rate at which companies have to get things done. They need to make decisions sooner. Projects have shorter timelines. Customers want products delivered overnight. Competitors pop up more often and introduce new offerings more frequently. The accelerating pace of business puts pressure on companies to act quickly, focusing on short-term results—instead of long-range plans—and addressing issues as

they arise. It took only six days after a Tesla owner complained on Twitter about electric-car owners parking at a company charging station for CEO Elon Musk to institute a new policy fining vehicles that don't depart immediately after a fill.

INCLUSIVENESS

In the same way that text messaging conditioned people to want faster real-time communications, social media and crowdsourcing are driving demand for a more open, authentic style of connecting and collaborating at work. Employees want to feel engaged and empowered on the job, particularly millennials, who will constitute half the global workforce by 2020, according to a 2011 report by PwC. Regardless of their age, today's workers prefer interactions that are transparent, genuine, and personalized, and they want to feel that their voices are being heard. When Starbucks' Howard Schultz rejoined the then-struggling company as CEO in 2008, one of the first things he did was stand up in front of the employees to own the mistakes he'd made. Schultz stated that, even though he had not been involved in day-to-day operations, he had still been chairman and should have done better.

TRANSFORMATIVE BEHAVIOR CHANGE

To keep pace with digital-era change, organizations may need to adopt entirely new ways of doing things. But radical change isn't easy. It goes beyond attending a workshop or developing a new skill, to potentially revising a company's organization design, team structure, workforce, or mix of products and services. Achieving such change requires altering fundamental behaviors and creating new norms for everyone involved, from top-level leaders to customer-facing and shop floor workers. Not surprisingly, some mechanisms for changing behaviors are tech-based. Google regularly encourages its workers to adopt new behaviors to improve performance and operational efficiency. For example, the company emails onboarding checklists to managers before a new hire's first day, and Google's internal research shows that the approach cuts 25% from the time it takes to get a person up to speed in a new job.

Adopting a People-First Approach to Change

To meet the challenges these trends present, organizations must see people as their ultimate strength and put them at the center of change management programs in the following ways.

CATALYTIC LEADERSHIP

Because change efforts are continual and can be complicated, leaders need strong determination and tenacity to maintain the right pace. They must also instill a sense of purpose in the company's mission that people will buy into and that makes them feel positive about the change process. In the past, leaders gave orders and people did what they were told. Today, leaders guide their employees by encouraging and enabling them, and in doing so, they create an atmosphere that energizes people and makes them excited about work. Because employees are more engaged, they are more productive, efficient, nimble, and enthusiastic.

For change efforts to work, top executives must present a united front to inspire the change that they want to see in staff and

throughout the organization. They need to become better team players, learning to listen and collaborate with one another as well as with others in the organization.

A major business unit of a multinational energy company needed to transform its upper management into catalytic leaders as it overhauled its organization design. To reduce costs in light of continued lower oil and gas prices, the company was switching from a decentralized, country-focused structure to operations that were centralized and grouped by function. The change gave former country managers less autonomy over decisions and required increased transparency and collaboration across countries and functions, but top leaders were not fully committed to the new structure. Some struggled to work together, setting a poor example at a time when the company was also undertaking layoffs and needed to boost morale to retain top performers.

To rectify the situation, 30 top executives participated in a leadership activation program to understand their new roles, improve how they worked together, agree on how to talk about the reorganization, and—in doing all those things—provide employees with a sense of purpose to encourage their support for the reorganized business. The program included one-on-one coaching and individual development plans as well as group workshops so that leaders could identify shortcomings in their collaboration and communication that could exacerbate conflicts. Leaders also worked in pairs on ongoing projects to test newly acquired skills in real-world settings. In addition, the company created a resource center with support materials that top managers used to teach the next layer of managers what they had learned.

The training that top executives received transformed them into the kind of catalytic leaders the company needed. Managers worked together better, which led them to make decisions faster and unified them around the company's reorganization. That in turn helped transformation efforts pick up speed. The company was able to fill critical positions despite the layoffs, a sign that

the executives' positive new attitudes were passed on to the workforce at large, giving valued employees purpose and a reason to remain with the business.

AGILE WAYS OF WORKING

As the earlier Tesla example shows, companies doing business in the digital era must respond faster to evolving customer demands and market conditions. Agile ways of working make that happen by shaving time from processes, simplifying decision making, and engaging as well as empowering employees and teams. (See “Five Secrets to Scaling Up Agile,” BCG article, February 2016.)

Agile emphasizes speed through minimum viable products (MVPs), shorter product timelines, and in-process check-ins that allow employees to spot potential problems and address them earlier in the process. (See Exhibit 2.) In addition, agile encourages the collection of feedback early and often, with the goal of creating a better final product.

Agile gives people and teams the leeway to work autonomously within specified structures or processes—what we call freedom within a frame. Giving people a measure of controlled freedom increases innovation and creativity and boosts engagement. Moreover, agile organizations adopt management structures that make it easy for teams to assemble as needed and work at a sprint, or faster pace. Making teams interdisciplinary, with members from various departments or functions, speeds up com-

munications because people can talk to one another in real time.

As companies increasingly adapt agile ways of working, however, coordinating multiple agile initiatives can be challenging. A major automaker that was remaking itself in the wake of rapid changes revolutionizing the automobile industry established a 300-person innovation center to coordinate its agile efforts. (See the sidebar.)

A European bank also found that it needed to take steps to efficiently manage numerous agile projects when it launched a major agile initiative to stay ahead of technological innovations and other circumstances threatening to disrupt the financial services industry. The bank's change management portfolio was massive, involving about 50 global programs in over 25 countries. To manage all those programs, the bank created a global group transformation office (GTO) to coordinate its efforts and ensure that best practices are followed, that spending stays on target, and that problems are tackled as soon as they arise. A key component of the GTO is an “obeya room,” a physical space common in agile management that serves as an agile program command center and meeting place where leaders are coached to solve problems on the spot.

Extensive coordination of the bank's agile programs started paying off after only a few months. The bank's managing board members, program leaders, and related business owners now gather regularly in the obeya room to track projects' progress

EXHIBIT 2 | Agile Ways of Working Promote Speed, Innovation, and Autonomy



Fast-paced
Constantly adapting to changing market conditions



Entrepreneurial
Teams working autonomously; freedom within a frame



Speedy delivery
Short timelines, minimum viable products



Continual feedback
Problems identified and dealt with early

Source: BCG research.

ONE AUTOMAKER'S PEOPLE-FIRST TRANSFORMATION

A major car company is using agile ways of working and other people-powered tenets of digital-era change management to meet the challenges presented by trends now revolutionizing the auto industry. Those trends include connected cars and the Internet of Things, autonomous-vehicle technology that could put self-driving cars on the roads by 2020, demand for environmentally friendly transportation, and ride-hailing services that could reduce demand for new vehicles.

Like other car companies, the automaker is upgrading its current product line while simultaneously planning new goods and services to meet future demands. To accomplish that dual goal, the company launched an organization-wide digital transformation and put people at the heart of its efforts. Key initiatives include:

- **Establishing a digital center of excellence.** The physical space acts as an innovation center and accelerator to rapidly roll out new methods of working, job functions, and projects. Eventually, it will be staffed by 300 employees, including more than 150 new hires.
- **Identifying and hiring for new skills.** The innovation center staff identify

new competencies that the company's workforce needs and then recruit and hire people with those skills. Center staff also retrain existing employees on the same skills. For example, the center staff trained existing IT staff on agile ways of working and agile skills.

- **Creating training certification programs.** Center staff receive outside training and certifications as digital subject matter experts and then pass on what they learn to other employees.

Although the automaker is still ramping up its efforts, initial digital and agile pilot projects already have saved €75 million, leading to wide-scale acceptance of the concept. "Things that took six months now take four weeks," one employee said of the changes. Employee morale and engagement received a boost from leaders' aggressive move into digital. Feedback on the certification program has been positive both from employees taking the trainings and from managers. Feedback on the digital-excellence center also has been positive, with one employee saying it "is opening a whole new set of opportunities for the company."

and address issues before they become problems. Tackling topics such as resource allocation in real time across multiple functions improved decision making, which accelerated operations and implementation. Using agile transformation management processes "changed the momentum and made change leaders actively look for ways to collaborate," said the company's COO and chief transformation officer.

ENGAGEMENT

For change management to be effective, employees need to feel that they are heard,

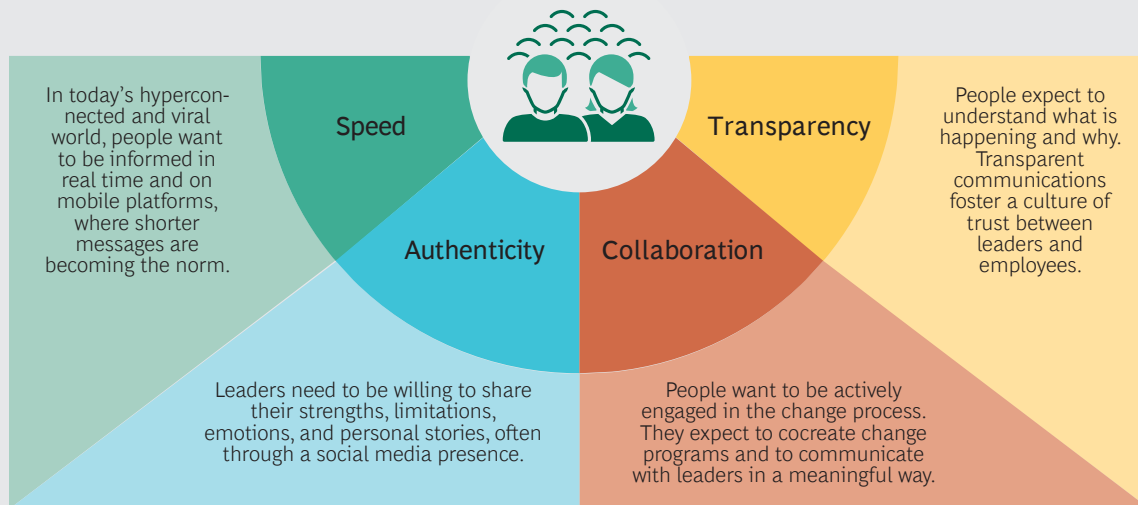
that they are part of the conversation, and that communications are personal. To achieve that level of engagement, organizations must build personalization, speed, authenticity, collaboration, and transparency into methods they use to share and receive information from their workforce. (See Exhibit 3.)

People expect to be engaged in a more personal manner than before. They want communication to be customized, and if it is, they're more likely to respond. With a majority of the world's population using

EXHIBIT 3 | People-Centric Engagement Creates Open Communications

PERSONALIZATION

PEOPLE WANT MESSAGES THAT SPEAK DIRECTLY TO THEM, AND THEY WANT TO KNOW THEY ARE BEING HEARD AND ENGAGED ON AN INDIVIDUAL BASIS.



Source: BCG research.

smartphones, employees expect to communicate more quickly and in bite-sized pieces. Digital not only makes communications faster, it makes people feel more connected, which can improve change management programs' chance of success.

To speed up communications in support of its change management efforts, a UK bank developed a mobile app for customer-facing employees in retail branches who didn't have access to group email or who worked irregular hours but needed a way to stay connected. According to the bank, the improved communications resulting from use of the app led to greater employee engagement, more knowledge sharing, and—as a result—met the change goal of higher sales of the bank's digital services.

To encourage engagement, leaders must be authentic—revealing personal stories and emotions, flaws and all—and transparent, sharing what's happening within the organization. They must also make communications collaborative so that employees feel that their voices are heard.

Crowdsourcing is one way to make communications more collaborative. Crowdsourcing uses the power of the many to do what

previously was done by a specialized few and accomplishes it at a much lower cost. Companies that crowdsource create disruptive innovation through out-of-the-box thinking, build 360-degree perspectives on customers and competition, innovate faster and more economically, and drive engagement and support—people generally are pleased to play an active role in the creative design process.

At a transportation company, crowdsourcing helped top executives and frontline managers see eye to eye about a major shift in corporate strategy from selling to businesses to selling directly to consumers. Frontline managers favored the change, but top executives did not. To encourage discussion, the company created a crowdsourcing platform where upper management could share business news and concerns keeping them up at night, and frontline managers could weigh in with their own views. Customer-facing managers posted questions that C-level executives addressed at all-hands meetings. Frontline managers also attended hackathon-style sessions to discuss company issues.

The crowdsourcing mechanisms and open communications helped the frontline

managers feel heard, and in a matter of weeks, close to 70% of them shared ideas for the company's B2C strategy. The overwhelming support convinced the company's chief executive that changing the sales model was the right move, and rank-and-file managers felt more engaged because management took their opinions into account.

DIGITAL NUDGES

Achieving the level of change that the digital era requires can be difficult. Research has shown that it is human nature to revert to the status quo. To encourage the lasting behavior changes required, organizations are using behavioral-economics-based prompts, commonly referred to as nudges.

When simple and timely nudges are properly deployed, they can steer people to new choices. Digital nudges such as emails, text messages, or push notifications can boost a prompt's speed and scale, helping behavior changes quickly spread throughout an organization. Digital nudges also produce data that can be used to gauge how successful the prompts are and to recalibrate them as needed. An example of a simple digital nudge is a personalized email reminding someone to complete a task or form. (See "The Persuasive Power of the Digital Nudge," BCG article, May 2017.)

To be effective, digital nudges should appear when people are open to hearing the message and should be communicated in a way that works for the individual. Nudges can be used to hold people accountable by incorporating a social element, such as checking in with a goal buddy or posting accomplishments on a company intranet or internal newsfeed. For example, a team member may send a group text sharing work goals that the sender met that week and spurring the recipients to meet their own goals.

A division of a major multinational energy company used digital nudges to encourage top leaders to practice training they'd received on becoming more engaged with the organization's workforce. Executives set weekly goals to improve their leadership,

engagement, and communication skills. They then used instant messages and a WhatsApp group message thread for weekly check-ins to share their accomplishments. Close to half the group needed only a text reminder to complete the weekly check-in, and the rest followed suit after seeing messages from colleagues who had already completed their tasks.

How to Foster People-Focused Change in the Digital Era

Our experience helping clients navigate digital-era change management that puts people first has provided valuable lessons that other organizations can apply to their own efforts:

- **Move beyond linear thinking.** To avoid limiting the scope and ambition of potential changes, set aggressive goals—they help disrupt traditional mindsets and mobilize people.
- **Use accelerators and MVPs to gain speed.** Create hubs or innovation labs to house agile initiatives. Staff them with specialists who can run pilot projects with short timelines. Use MVPs to test-drive new products early and often. Draw on results from short tests to roll out larger programs.
- **Make meetings matter.** To ensure that meetings don't detract from other work, limit how often they are scheduled, how long they last, and the amount of work attendees must do to prepare for them.
- **Promote a digital-savvy culture.** Find and cultivate digital navigators who can teach their skills to other employees. Use these improved digital skills to encourage more widespread acceptance of tech-based communications and collaboration tools and to magnify digital nudges.
- **Use technology to improve communications.** Encourage leaders to share information in open, social ways to generate employee pride and engagement. Use tools such as internal

corporate communications apps, group text messages, and crowdsourcing to let employees be heard, feel like they are part of the process, and engage in company-wide dialogues.

- **Take advantage of social norms and recognition to reinforce new behaviors.** Remember that people don't like to fall behind; they'd rather stay abreast of or outperform the crowd. Give out "gold stars" in the form of small recognitions on the company social media channel or other nonmonetary rewards for people who meet goals, to emphasize that those not adopting a new behavior are in the minority.

WHEN IT COMES to change, think big, bold, and fast. For established companies, bold thinking could mean embracing innovative business models. For companies of all types, responding to the changing demands of the digital era means operating with purpose and fostering a culture where communications are transparent and collaborative and where people feel heard. Organizations may need to reinvent their work processes to adopt new communication styles and encourage employees to cultivate digital skills. Using digital nudges is one way to direct people toward these new ways of thinking and acting that benefit change management efforts.

About the Authors

Stéphanie Mingardon is a senior partner and managing director in the Paris office of The Boston Consulting Group. She is the global leader of the firm's change management topic. You may contact her by email at mingardon.stephanie@bcg.com.

Meldon Wolfgang is a senior partner and managing director in the firm's Boston office. He is coleader of BCG's change management topic. You may contact him by email at wolfgang.meldon@bcg.com.

Perry Keenan is a senior partner and managing director in BCG's Chicago office. He played a key role in the development of the change management topic. You may contact him by email at keenan.perry@bcg.com.

Audélia Krief is a principal in the firm's Paris office. You may contact her by email at krief.audelia@bcg.com.

Annabel Doust is a knowledge expert and team manager in BCG's Atlanta office. You may contact her by email at doust.annabel@bcg.com.

Florence Adida is a topic manager in the firm's Paris office. You may contact her by email at adida.florence@bcg.com.

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