Successful Change: Managing Human Capital Risk During Implementation

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Many financial services companies are in the process of implementing significant change initiatives or poised on the brink of doing so. As discussed in our previous article, many such efforts fail to meet expectations because leadership has underestimated the human capital risks that threaten strategy execution. But effective implementations can mitigate critical people-related risks while building employee understanding, commitment and resiliency.

The Typical Transition From the Past to the Future

Regardless of the type of change—for example, a consolidation, acquisition or new business model—employees must go through a process of transition. A transition that is smooth reduces the depth and duration of lost productivity, as well as unwanted turnover, and expands the organization's capacity for future changes.

Employees often initially focus on change as an ending to what they know as familiar, which can foster uncertainty and negative attitudes, such as assuming the change won't work. Leadership must help employees move first to a mindset that is more neutral and accepting, so employees are willing to give the change a try. From there, management can help employees begin to see the change as a new beginning and understand that the new organization can do better or more.

With most change initiatives, almost every employee is affected to some degree. Employees might need to adapt to a new technology system or move to a different facility. They could find themselves in a much larger department or with a different level of authority. Some of the changes in employees' individual experiences will play a greater role in the potential for project success than others and therefore warrant greater change management attention. For example, leadership could expend more energy dealing with how managers react to having their authority altered than on employees who merely need to learn new procedures for approvals.

Note that it is not only reductions in authority that require leadership attention. Managers in a smaller bank where the president made all of the salary and promotion decisions might find it difficult to adjust after being acquired by a larger institution where they are expected to be more actively involved in such matters.

Transition Monitoring and Management

Financial services companies should create a change effectiveness scorecard to evaluate the impact, readiness, adoption and benefits realization of each change initiative. Metrics might include the percentage of business results achieved, individual or department change readiness (at project launch and quarterly intervals going forward), training completion rate, key employee retention, client satisfaction, quality of production and employee engagement.

Employee engagement can be measured through responses to pulse surveys conducted on a regular basis to track and improve employee understanding of and buy-in on the change project. These short surveys ask respondents to rank from 1 to 5 the accuracy of statements such as:

- I understand how this transformation can benefit our employees, customers and community.
- I believe the communications I receive from the transformation team.
- I feel that I have enough opportunities to learn about the transformation.
- I know where to go when I have questions about the transformation process.

When it comes to change projects, individual leaders or employees typically fall into one of four categories based on their level of engagement, performance and impact on project success. Each category calls for different management strategies during project implementation:

- **Advocate (high impact, high engagement):** Leadership should recognize and reward high-impact employees who are actively and vocally on board and performing well, and consider increasing their project responsibilities.
- **Supporter (low impact, high engagement):** These employees demonstrate their high level of commitment to the project by effectively providing assistance or resources, even though they are not critical to satisfying high-impact project objectives. Leadership should consider increasing their project-related roles and responsibilities.
- **Laggard (high impact, low engagement):** These individuals have a low level of commitment to the project—even if they are performing well—but are essential to meeting the project objectives. Leadership should address their low engagement in hopes of moving them to advocate status. For example, the management team could consider demonstrating what's in it for the employee if the project succeeds. If that effort fails, leadership should consider reassigning these employees from high-impact areas where they could negatively influence others and project success.
- **Bystander (low impact, low engagement):** These individuals demonstrate a low commitment level, and their impact is not vital to meeting project objectives. Leadership might consider their potential for greater project impact and address reasons for low engagement.

The human capital risks associated with change initiatives could prove the difference between ultimate success or failure. Particularly when change affects customers, the employee experience has a direct effect on customer experience. By properly managing employees throughout the transition, bank leadership can help employees see change not as a negative ending, but as a positive beginning.

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