

Introducing Change

How to Identify and Deal with Risk Before Implementation

By Jeffrey St. Amour

He knew it was a risk, the company's Vice President of Human Resources, because all change involves risk. The cost of the company's health had become prohibitive. A change to a new, less expensive plan was imperative.

But the CEO was adamant. He did not want to make a fuss about the change. We are switching the employees' health plan and that's that, he said. There is nothing to discuss. If you must, assure them that they will notice very little change in their actual coverage, but let's not make it a bigger deal than it is.

The CEO said he did not want to coddle his employees. After all, he reasoned, they are all adults. Anyway what was the point of last year's offsite retreat—which had concluded with his employees being exhorted to “act like owners”—if they could not understand that what was good for the company was good for them too? A letter to all employees would suffice, he concluded. The new benefits provider would send them the details when the new plan went into effect.

But the letter did not suffice. The employees were skeptical, and they wanted information. They wanted assurances that they would not lose benefits. But more than that, they had questions, and they wanted answers.

The real problems did not surface right away. However, the next employee survey showed a major decline in employee morale, trust in management and in the company's rating on quality of communication. In addition, the competitiveness of benefits also received much lower grades from employees. When turnover went up, the company decided they needed to deal with the problem.

In a recent PricewaterhouseCoopers survey, CEOs worldwide said overwhelmingly that they would have to be more aggressive risk-takers in order to move their companies forward. However, of the 1,400 CEO respondents, only one-third said that they have fully implemented their risk management policies and processes. One of the key policies surrounding risk management is effective and timely communication throughout the organization.



When organizational change causes reductions and/or major modifications to employee benefits, companies face a minefield of challenges. Unfortunately, many companies suffer needless strife and loss of productivity because they have not envisioned the potential employee relations consequences, or communicated thoroughly the business case for change.

Communicating information about change is not solely an HR issue. It is first and foremost a risk-management issue, and that puts the responsibility squarely on the shoulders of the entire senior management team. Senior management teams are now realizing that the risks include the prospect of defection by high-performing employees; the loss of productivity; the initiation of class action suits, and even legislative action.

Timing is also critical. Communications must be prompt so that leaks and rumors do not produce misinformation and, worse, suspicion that the company is keeping employees in the dark.

And it must be credible. Employees might not like hearing what you have to say, but if you handle the change management and communications effectively, they will believe you and will, therefore, be likelier to accept what you have to say.

To develop and communicate benefits changes that are perceived as fair and necessary, companies must take an integrated approach that calls for a risk assessment of the proposed change.

The Risks

The first step companies need to take is to conduct a risk assessment. An advisor experienced in employee relations and benefits communications can reference how similar change was accepted at other firms and can target many of the risks. A labor or benefits attorney can address the risk of increased litigation and costs to the company. All of this needs to be reviewed along with any other major changes that have affected employees over the last year.

Combined, these two advisors can help clients determine the level of risk the proposed change will bring. Once a company truly understands the risks, they will either feel comfortable introducing the change, or they may alter the change to reduce risk.

Although many of the organizational changes taking place today are responses to current economic conditions, companies cannot afford to lose sight of the importance of retaining

valued workers. Smart companies understand that the “talent wars” are not over. When times are tough, people tend to stay where they are. But when the economy improves, history shows, some 40% of managers tend to change jobs. Companies that have failed to manage change effectively are prime targets for headhunters. Furthermore, companies that have weathered a poorly executed change find that subsequent changes bring about swift and strong resistance. Therefore, in a business environment where change is a constant, it is even more important to make change work.

Seeing the Whole Picture

Clearly, planning for benefits and human resource changes must start long before the changes are to take place. And it is vital to make the effect these changes will have on both existing employees and future hires a front-burner issue during the planning process.

One large global company learned the hard way just how badly the process could go when they decided to reduce their workforce by offering an early retirement program.

During this program, a record number of employees applied—far more than the company could accommodate, either financially or in terms of the sudden intellectual drain from the workforce. So it simply rejected some of the employees’ applications. Employees reacted in a very negative manner, and the press gave major coverage to the company’s loss of talent.

This kind of behavior from management can never sit well with employees. It erodes credibility and engenders suspicion. The company subsequently had to retain many of its retired employees as consultants in order to restore some of the lost knowledge and experience.

This could have been avoided if the company had completed a risk assessment to determine the demand for such a retirement package and to take the guessing out of the outcome. Selective employee sensing of key audiences, a look at similar program offerings at other companies, and a measurement of existing employee satisfaction would have provided the company with valuable information.

Developing the Message

Once a company is comfortable with the risk associated with change, one of the first steps is to build a business case for change. Employees need to know that the status quo is no longer acceptable, and why.

If employees understand the “why of change,” they will be more accepting of the actual change. They do not have to like everything they hear from management, but it helps quite a bit if they believe what they hear from senior management. Messages need to be tested with employees to make sure they are clear, comprehensive and credible.

Sending the Message

When the best possible program is ready to be communicated, management should not rely on just one form of communication. A change management plan should take into account the nature of the message, as well as a well-thought-out approach to reaching people at every level of the company. For instance, even though senior managers are responsible for crafting and sending the message, it is lower-level managers who validate that message as they interact with employees every day. To not include managers and supervisors in the communication program is to squander an opportunity to draw on an important resource, a positive representative for change. Therefore, these managers must be empowered with information and understanding so they can reinforce the message and give it credibility. Companies that have done this have found it easier to ride the initial wave of resistance and to move on to acceptance than those that have not. The engineering firm whose CEO simply announced that the employees' health benefits plan was going to change literally drowned in the sea of employee discontent and near-revolt.

When the message has been finalized, the best ways to communicate must then be determined. Whether it is at meetings, through newsletters, via mail or e-mail, or a combination of ways, depends on the culture of the individual company. Multimedia reinforcement ensures that the message eventually reaches employees who might resist thinking about change at first or who might have missed the initial message in the barrage of information they deal with daily.

Finally, communications should not be one-way. Companies must monitor if the messages are being heard, understood and accepted. There must be opportunities for employees to ask questions, make suggestions, and express opinions, even to vent their fears or frustrations. Many times, messages need to be re-enforced, new information must be provided, and additional media must be utilized. The key is getting to the audience in a way that is convenient for them.

The Stakes

Still not convinced your company needs to go through all of this in order to bring about the changes it wants to bring about? Then consider these questions: How much do you have to lose by making a mistake in communicating to employees? What if your company were to endure only half of the negative outcomes that have befallen other companies? Do you have sufficient resources—human and financial—to weather a few missteps?

The key objective in any program of benefits changes, of course, is to minimize resistance and speed acceptance. By acting smart, by taking the right steps to integrate these changes into the total change management process and have a strong business case on which to build your key messages, you are likely to ensure that resistance loses steam and acceptance comes naturally and swiftly.

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