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## The challenge of change

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*Regardless of the scope or scale, business transformations generally have three common characteristics – and organizations tend to make good choices around two of them. This article describes the concept of organizational balance and its importance to successful business transformation.*



# Maintaining organizational balance during a business transformation



By Naomi Stanford

Despite its frequent use, there is no universal definition of the term “business transformation.” It can mean different things to different people (and organizations) in different situations. In fact, each of the following news stories (reported during one week in October 2007) illustrates a different degree of business transformation:

- **Business transformation is changing something for the better within our organization (that is, one small change can make a big difference)** – “When Starbucks bumped the 8-ounce cup off the menu, the 10-ounce ‘tall’ (the new small) increased profits by 25 cents per cup for only 2 cents of added product.”
- **Business transformation is making continuous incremental improvements within our products and services** – “There is a simple idea behind the changes in the issue of *Newsweek* you are holding: We are betting that you want to read more, not less. Other media outlets believe you just want things quick and easy. We think you will make the time to read pieces that repay the effort... The redesign is more about refinement than revolution.”
- **Business transformation is responding to the marketplace, customers and stakeholders** – “Molson Coors and SABMiller will pool their US assets to mount a stronger challenge to Anheuser-Busch’s close-to-50% dominance of the domestic beer market.”

- **Business transformation is doing something that is new to the market** – “News Corporation’s new business channel starts broadcasting on October 15th.”
- **Business transformation is making significant changes that fundamentally alter the way business is done** – “Siemens is going to centralize the conglomerate, reduce its nine divisions to three and downsize its 11-man executive board.”

## Taking action

There may be no single definition of business transformation, but regardless of its scope or scale, there are three early actions that characterize it.

1. **Making a choice to transform** – Each transformation is a strategic choice made in response to current, forecast or even forced-upon circumstances.
2. **Stating the expected transformation outcome** – Each transformation implies an outcome different from the business-as-usual outcome; someone in the organization has made a decision to do something different with the purpose of substantially increasing profit, performance or productivity – or a combination of these.

3. **Recognizing the impact on the whole organization** – Each transformation will result, to a great or lesser extent, in an impact on all other parts of the organization. Even the change that looks the smallest – deleting the 8 oz. cups at Starbucks – will affect procurement processes, customer satisfaction systems, employee training and so on.

Companies tend to do well making strategic choices around business transformation and identifying their required outcomes. Where they don't do as well is in recognizing the extent of the impact their choices will have on the rest of the organization. Failure to fully understand or address the impact undermines many transformations, and it is here that the concept of organizational balance comes into play.

Think of a mobile – one of those sculptures suspended in midair with delicately balanced parts that can be set in motion by air currents. Imagine that you try to add something to one of the parts, or take something away. You can instantly visualize that the mobile would become unbalanced and cease to be the sculpture it was designed to be. Organizations are very similar to these balanced sculptures. Because of this they can never be “transformed” from frogs into princes in the way of fairy tales. Rather, they must transition – like photo morphing – through a sequence that may (or may not) get them to the new image, and then the process begins again.

Keeping the organization balanced during the transformation process is hard work that can, and must, be

done. Briefly, it requires *identifying*, *mapping* and then *managing* the interdependencies, interfaces and boundaries between the internal and external organizational elements affected, and then planning and executing with these in mind.

#### **Case in point**

Consider this real-life example of a major nonprofit organization (The Foundation) with more than 400 local chapters that was determined to become donor centered. The director of development explained, “Last fall, we set off on a path to become a donor-centered fundraising organization. This means designing fundraising in a way that enables everyone to be a fundraiser, tells The Foundation’s story, builds relationships and asks for support, leverages the strengths and best practices of The Foundation, and implements proven programs and tools. This is a major undertaking – a business transformation. It will affect every member of The Foundation in some way.”

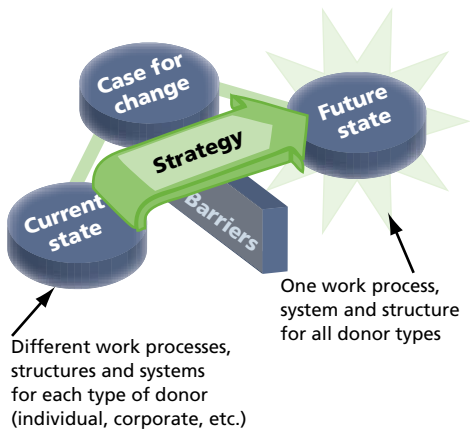
But what does this mean in practice for the nonprofit? The director of development continues: “I envision an organization where each type of donor – individual, corporate, disaster or whatever – feels we really care about their donation and are responsive to their need to know that it has been received, that it is being used for the specified purpose, and that we will communicate with them according to their preferences. We all know what it feels like to be on the receiving end of unsolicited appeals for money, often multiple times from different parts of the same organization. We don’t want

to be in that category. We want to reflect a truly donor-centered approach in the same way that many car rental companies or hotels are customer-centered. They know their customers and respond to their needs.”

Realizing this vision meant a total about-face in work processes, systems, structure, performance measures, people and culture. In the starting state, there was a department responsible for each donor type, each with its own methods of doing things. The future state vision required people to think of one department working seamlessly with all donor types. (See Exhibit 1.)

**Exhibit 1**

**Current and future states**



As a first step in transforming The Foundation from current to future state, a single work process for managing all donations was determined and agreed to by all donor channel leaders. (See Exhibit 2.) To get to this point and to overcome turf issues around “ownership” of “their” donors, the donor channel leaders were asked to work together to develop a single process that:

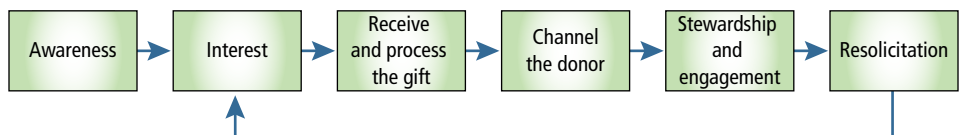
- Helped all other channel leaders realize their strategies (initially donor channel leaders had been asked to individually prepare a business case for “their” donors).
- Conformed to the design rules for the new design model:
  - All decisions must be guided by more positively affecting the donor experience with The Foundation.
  - Donors must be engaged from a Foundation perspective, with no distinctions between national headquarters and the field, or between donations of time or money.

- Roles and authorities must be clearly defined at all levels, with corresponding rewards and penalties.
- Any resulting effects must be beneficial to both national headquarters and field-based units.
- Solutions implemented at the chapter level must be uniform while remaining flexible and scalable to meet unique chapter needs.
- Fundraising goals and successes must be measurable and accountable at all levels.

- Recognized the intent of having one donor-centric funding model.
- Helped realize The Foundation’s mission.



**Exhibit 2**  
**Single workflow for all donations**



Once the work process was visible, project team members mapped along its pathway the interdependencies and touch points with other parts of the organization and outside entities. As an example, project team members identified that an IT system able to deliver this workflow was a critical interdependency. The system had to be capable of, among other things:

- Tracking multiple information streams/pieces/activities and interests
- Supporting increasing volumes of donations through nontraditional routes (for example, online)
- Managing transactions with the shared administrative services group
- Consolidating the use of support vendors
- Capturing high-quality data related to chapter donations (previously held only at the chapter level)
- Channeling the donor from one type of donation activity to another as appropriate (as in cases where one person might be simultaneously an individual donor, a corporate donor and a volunteer) to ensure the right donor-centered response

Thus the IT department took a key position in the transformation not only in procuring an appropriate system, but also in keeping team members informed on system capabilities, tailoring costs and implementation time scales.

These IT system interdependencies were just one set of five that the team worked on. Others included processes, structures, performance measures and cultures.

The result of the design work formed the basis for a new donor-centered approach to fundraising. But this was simply the first step in the transformation process. Speaking at one of the organization's town hall meetings, the program development director noted that the next step was to refine and improve the design through participation and feedback from a larger internal audience (for example, all field units). He emphasized that the design was a work in progress and that every Foundation member had a responsibility to support the success of the transformation by asking constructive questions, helping to formulate answers and being actively involved in working on the initiative.

He clearly conveyed that the design of a new model was only the precursor to the detailed planning required to transition to the new state. His actions, and the actions of other organizational leaders, helped The Foundation to maintain balance and to stay operational and profitable throughout the change process. They had formed a clear line of sight to all the connections that needed to be addressed and were able to develop a critical path for facilitating that transition.

In such situations, a simple observational "dipstick," shown in Exhibit 3 on page 68, can serve as a useful tool for indicating when things are on track and when they are going awry.

### Exhibit 3

## Important indicators

### Indicators of organizational imbalance

- *There is a discrepancy between what managers say and what they do.*
- *The organization has a large number of initiatives going simultaneously.*
- *There is confusion between ends and means.*
- *There is conflict between what line people need and want and what staff people think they need and want.*
- *There is a lack of coordination among a number of different activities aimed at increasing organizational effectiveness.*
- *There is overdependence on experts and specialists (internal or external).*
- *There is a large gap between commitment to change at the top of the organization and the transfer of this interest to the rest of the organization.*
- *There is an attempt by the organization to fit a major organizational change into an old organizational structure.*
- *There is a desire for a “cookbook” solution (for example, if we adopt the balanced business scorecard, all our problems will be solved).*
- *The organization applies an intervention or strategy inappropriately.*

### Indicators of organizational balance

- *People at the top are collectively pushing for the transformation.*
- *Leadership is provided by a key line executive with a clear goal for change.*
- *There is a collaborative identification of problems.*
- *There is a willingness to take risks in new organizational forms.*
- *There is a realistic long-term perspective.*
- *There is a willingness to face the situation and work on changing it.*
- *The system rewards people for the effort of changing and improvement, not just for short-term results.*
- *Changes made show tangible results and quick wins at all levels in the organization.*
- *There are time and resources available to manage the change as well as do the job.*
- *The operation is maintaining ground.*

When it is evident that more information or analysis is required, organizations can use a more sophisticated tool. Mercer's Business Impact Modeling, for example, can monitor and quantify the impact of workforce characteristics and management practices on business outcomes, such as productivity, profitability, quality and customer retention, and can be usefully applied during a business transformation.

### Strategic transformation

The Foundation example presented here illustrates that a successful business transformation is one that starts decisively, is executed thoughtfully and pays close attention to the whole organizational impact in order to maintain balance throughout the process.



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### About the author

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