



# CHANGE MANAGEMENT IN A COVID AND POST-COVID WORLD

FEATURING HERB RUBENSTEIN, JD, MPA, DSS





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## Learning Objectives

- Recognize the Key Principles of Change Management
- Identify Optimal Responses to Organization Change
- Recognize Methodologies to Predicting Future External Forces that Will Impact Your Organization
- Identify Key Strategies in Aligning Internal Operations to External Forces
- Recognize “When to Be Bold” and “When to Fold” – Decision Strategies

# Key Elements of Change Management

- ▶ Strategic conversations - Spender and Strong
- ▶ Active listening to knowledgeable people
- ▶ Enrolling people early
- ▶ Listening and dialogue with those in opposition
- ▶ Successful negotiation
- ▶ Secure agreement to move forward to the maximum extent feasible within certain time and budget constraints
- ▶ Goal must be clear. Path must be "seeable," not just imaginable
- ▶ The "plan," must be capable of "self-correction" based on data/information

# Large Scale Changes Efforts Often Do Not Work

- ▶ Most major change efforts either fail or are over budget or past their deadlines
- ▶ Keystone Pipeline lessons in failure
  - ▶ Say it can only go this way (TINA)
  - ▶ Not hiring local
  - ▶ Failing to predict and prepare for opposition
  - ▶ Creating unnecessary conflict with powerful forces
  - ▶ Failure to listen to dissenting voices, invite "red flags," prepare for the low probability, high impact event
  - ▶ Failure to gather intelligence daily/hourly to infuse new, better approaches

# Technical vs. Adaptive Change

- ▶ Changing Processes vs Changing Culture
- ▶ Changing culture is very difficult
- ▶ All change is interrelated within organizations
- ▶ Must foresee unintended consequences of change efforts
- ▶ Big mistake: Think you are making a technical change and you are actually making an adaptive change: Landman example
- ▶ Note: In accounting, the processes define the culture and changing an internal control, or monitoring or reporting system, can impact the culture

# Simple Changes Can Produce Large Problems

- ▶ Target - allows vendors to bill electronically
- ▶ Hacker gets Target customer data
- ▶ Came in through HVAC vendor billing electronically
- ▶ Over \$140,000,000 in losses
- ▶ Great customer anguish and identity theft
- ▶ Accountants: Key advisors to reducing, calculating risk.
- ▶ Recurring theme, foresee risk, get others to acknowledge, give credence to risk
- ▶ Beware of the bias in organizations/people to “YES,” or “NO”

# What Does Not Work

- ▶ Not including employees - top down change efforts
- ▶ Trying to change too much
- ▶ Not educating people about or training them for their future roles resulting from changes
- ▶ Creating constant uncertainty
- ▶ Not making a strong case for change
- ▶ Not having a plan, coordinating departments



# Key Approaches to Successful Change Management

- ▶ Conflict must be predicted to promote dealing with it effectively
- ▶ Must be dealt with assertively, yet gracefully
- ▶ Conflict must be resolved quickly
- ▶ Clear decision maker with clear decision
- ▶ Paths developed for handling conflict and getting beyond conflict

# Facts About The Pace of Change

- ▶ Getting quicker both in pace, abruptness, and blind sidedness
- ▶ Able to analyze the challenges more quickly
- ▶ Can measure the results of change quicker
- ▶ Able to change course more quickly
- ▶ Unforeseeable situations destroy change management efforts
- ▶ Question - How do you improve foreseeability: Broad Research, Fukushima, Covid, Publicize internally what is being learned, envisioned about foreseeable situations
- ▶ Foreseeable does not mean foreseen, but we must close the gap

## Poll #1: Which of the following is NOT a key approach to handling conflicts in successful change management?

- ▶ Deal with the conflict assertively, yet gracefully.
- ▶ Resolution should not come quickly.
- ▶ Decision maker should be clear.
- ▶ Path should be developed for handling and moving beyond conflict.

# Leaders and Change

- ▶ Leaders need to be agile and must train their teams to be agile, able to adapt to unforeseen situations and circumstances
- ▶ Leaders must be future oriented and guide their teams to the future, but need to know enough history to understand how the organization got to where it is today
- ▶ What are the elements of agility?
- ▶ Openmindedness, never saying, “That is not how we do things around here.” Lawyers and typewriters/email

# Employees and Change

- ▶ Bruce Strong, co-author of *Strategic Conversations* shows how including employees in change management yields great benefits in terms of:
  - ▶ Better outcomes
  - ▶ Improved employee morale
  - ▶ Better management/employee relations
  - ▶ Lower cost of change
  - ▶ Better acceptance of change by employees
  - ▶ Better relationship between culture and change

# Stakeholders and Change

- ▶ Similar positive outcomes occur when you include all key stakeholders in a change management involvement
  - ▶ What is the definition of "stakeholders?"
  - ▶ Who decides if someone or group is a stakeholder?
  - ▶ Including all key stakeholders is costly, but brings enhances resources to the table
  - ▶ Wisdom of the crowds, if you have the right setting to invite them
  - ▶ Gives broader perspective is you can synthesize their views
  - ▶ Promotes acceptance by key stakeholders
  - ▶ Improves listening ability by management
  - ▶ Better outcomes
  - ▶ Do you even know who the key stakeholders are? Have you marginalized them in the past? Have you destroyed their trust?

## Poll #2: Which of the following are traits of effective leaders who can navigate their teams through change management?

- ▶ Agile and Adaptable
- ▶ Future Oriented
- ▶ Open-Minded
- ▶ All of the Above.

# Pilot Program Change Model and How Accountants Can Benefit from Change Management Principles

- ▶ Internal efforts with your own organization - can start off small
- ▶ Often financial in terms of new Enterprise Wide Software, Information Technology, Exxon taking SAP into the cloud = 1 billion dollar project
- ▶ Advise clients on change management efforts
- ▶ Over budget often means budget was wrong
- ▶ Budgeting for foreseeable setbacks
- ▶ Test change rigorously in a small demonstration or pilot test program in selected geographical area
- ▶ Analyze results to determine how to improve change effort
- ▶ Conduct many small such tests



# Reset - A New Form of Change Brought On By Covid

- ▶ Very fast change
- ▶ New direction, cessation
- ▶ Tougher to include employee input
- ▶ Best performed by change agile organizations
- ▶ Change is constant, not episodic
- ▶ Need to be prepared - people saw this coming as early as 2015/2017
- ▶ Due to credit, companies did not or could not conserve cash
- ▶ Scenario planning - difference between "worst case scenario" and "catastrophe potential"

# Successfully Making the Case for Change

- ▶ Key step to success
- ▶ Is this change driven by internal failures/gaps or outside circumstances
- ▶ Must know how others, including employees, are perceiving the need for change
- ▶ Must know where others are getting their information from regarding outside circumstances. Many people are getting/spreading inaccurate information
- ▶ Must define the change clearly and the need for change even more clearly
- ▶ Each person must know their role and be trained for their new role

# Important Rights in Change Management

- ▶ Informed Rights - You should have told me
- ▶ Consultation Rights - You should have discussed this with me and let me speak
- ▶ Improvement Rights - You decide what to do, but I can improve along the way
- ▶ Voting Rights - We need a process to decide and I get to vote
- ▶ Decision Rights - One person decides
- ▶ RACI - responsibility assignment matrix
- ▶ Responsible, Accountable, Consulted, Informed

# Human Side and What Has Been Learned from COVID-19

- ▶ Change evokes fear and insecurity among some
- ▶ Status quo bias
- ▶ Sunk cost bias
- ▶ Marginal analysis, Cost Benefit Analysis
- ▶ Change causes identity crisis that is predictable and curable
- ▶ Change fatigue is a function of time and mixed messaging
- ▶ End date must be clear, open ended change is brutal and cannot be maintained
- ▶ Change can get political, spark power wars

# Unintended Consequences

- ▶ Many are unforeseen
- ▶ Human ability to predict all consequences is limited
- ▶ Must be able to adapt quickly to new circumstances created but not anticipate
- ▶ Unforeseen does not mean unforeseeable
- ▶ Doubt has a key role in promoting insight
- ▶ But, once you commit to a goal requiring change, keep your eyes open to problems with the change, but stay committed to the goal unless it proves to be impossible

# Management Information Systems

- ▶ Essential to change efforts to measure implementation and results
- ▶ Can get data in real time, daily, with instant analysis
- ▶ Predictive analytics - data analysis that shows you what will happen in the future including human capital analytics
- ▶ Who reports what to whom and how often, who reviews and comments, what data determine changes in the plan?

# Timing of Change

- ▶ Must make the case that the need to make the change is now or in the near-term future
- ▶ People will always push for delay - saying we don't need to do it now
- ▶ Strict timelines for planning and implementation are essential for success
- ▶ Must be consistent with the pace of the organization or must change the pace of an organization.
- ▶ Pace is a cultural element of an organization

# Know Your Organization's Capabilities

- ▶ Many change efforts fail because workforce is not properly trained
- ▶ Or information systems are not up to the task
- ▶ Or change leaders fail to take the organization's current culture into account and fail to devote sufficient resources to change the culture to promote desired change



# The Future of Change Management

- ▶ Don't try to change everything
- ▶ Pick your change efforts carefully
- ▶ If multiple efforts going on simultaneously, be sure to do them in the Optimal Order where one result from a prior change effort helps achieve the desired result from later effort
- ▶ Inclusion and Diversity - Set a target - X% of future hires will be from minority populations until they reach Y level

# Stakeholders Are The Key

- ▶ Involve stakeholders - and their numbers are getting bigger and bigger
- ▶ Standing rock - Dakota Access Pipeline
- ▶ Ignore a stakeholder and they will come after you big time
- ▶ Participation and consultation rights are increasing, Information rights ubiquitous
- ▶ Marginalized groups, when they are recognized as the stakeholders they have always been, see above...

# Transparency and Change

- ▶ Transparency vs Secrecy is the same war as Full Disclosure vs Cover Up/Loyalty
- ▶ Transparency is winning many battles, losing some
- ▶ Keep secrets when you need to, but never hide what is best disclosed sooner rather than later
- ▶ Can't sugar coat things anymore - everyone is watching, even with drones - there are no isolated incidents
- ▶ All communications via email can and possibly will be known

## Poll #3: What is a common obstacle to accomplishing change in a timely manor?

- ▶ Management and employees tend to want to delay changes.
- ▶ Strict timelines for planning and implementation.
- ▶ Changing at the pace of the organization.
- ▶ None of the Above.

# Ethics and Change Management

- ▶ Every change causes ethical challenges like raising the stakes for school tests. Some teachers, principals, and administrators end up cheating.
- ▶ Every new reporting system is fraught with systemic errors – PGE example
- ▶ Data and reporting errors must be identified, quality of data is the key
- ▶ Anticipatory Ethics

# Narrower Path to Success Today

- ▶ Greater public/stakeholder involvement
- ▶ Greater risk of conflict and confrontation
- ▶ Greater penalties for failure, just ask Wells Fargo and Volkswagen about their change efforts costing each of them maybe 50b
- ▶ Listen to “whistleblowers” - canaries
- ▶ More ways to mess up than do it right

# Risk and Change Management

- ▶ Key to successful change management is knowing, managing, uncovering risk early in the process
- ▶ Risk assessment is the new bedrock
- ▶ Beware of conflicts of interest of those in charge of risk assessment - Fukushima, Kemper, Vogtle
- ▶ Independent risk assessment unit is key

## Poll #4: Which of the following are keys to understanding and addressing risk in change management?

- ▶ Discovering, managing, and uncovering risk early in the process.
- ▶ Using independent risk assessments to identify and manage risk.
- ▶ Be aware of conflicts of interest for those in charge of risk assessments.
- ▶ All of the above.



# Ecosystem and Change Management

- ▶ Tesla - making sure all of its suppliers are changing with them
- ▶ Walmart and sustainability initiative - blockchain technology
- ▶ IBM and Watson - getting the medical community onboard
- ▶ Facebook, Google and Apple - becoming energy developers to reach the 1.3b people without commercial electricity
- ▶ Diversity and inclusion - keep up with the times or say goodbye to many customers and employees when economy returns

# Ecosystem (con't)

- ▶ Consumers becoming prosumers - utilities better react to less waste of their product
- ▶ Greater threats to reputation - so reputation management must change
- ▶ Consumers can flee in a heartbeat - Wells Fargo and Volkswagen and never come back
- ▶ Fragile times requires powerful, ecosystem wide change - leadership

# Conclusion

- ▶ Change management is more necessary now than ever, yet it is riskier
- ▶ Accelerate change because the world is changing faster than ever
- ▶ Need to think through second, third, fourth order effects; like renting cars for landmen
- ▶ Huge potential for problems and great losses
- ▶ Every new initiative must have scrutiny

# Conclusion (con't)

- ▶ Integrity throughout the process
- ▶ Inclusion vs. exclusion
- ▶ Clear goals, timeline, budget
- ▶ Look for red flags often and reward those who tell you about problems early
- ▶ Communication is key
- ▶ People must know their future role and be trained for it

# Conclusion (con't)

- ▶ Ability to change - internal assessment
- ▶ Need to change - external assessment and competitive assessment
- ▶ Analyze all key options for change - there is never one path - TransCanada
- ▶ Lead your ecosystem in change - can't be an outlier and survive - Tesla/Walmart

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