

Working with Change Management in Service Outsourcing

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Service outsourcing creates many changes. For the employees who will be outsourced the changes are significant but also for the rest of the organisation service outsourcing will lead to many changes. This may lead to disruptions and resistance and possibly to project failure. A solid change management programme will steer the company safely through these changes.

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Executive Summary

Outsourcing a service creates many changes and possible disruptions to an organisation. A change management programme will steer a company safely through such a project by dealing with the people side of the service outsourcing project. This includes getting involvement, engagement and a willingness to embrace the change. This is achieved through activities such as communicating the change, managing emotions and involving employees where and whenever possible.

Most managers underestimate how hard it is can be for employees to make even small changes to work habits. As a consequence they often lack patience, which sometimes results in resistance and possibly conflicts. Special attention should be paid to transition management as the change for the employees who will be outsourced is much greater than for the rest of the organisation.

Kotters 8-step model includes all major process-elements and can be used as a generic process template

1. **Create a sense of urgency** by communicating that the status quo is no longer an option.
2. **Form a powerful change management team** with a C-level representative on board.
3. **Create a vision for the change that can** motivate and that will inspire people to change.
4. **Communication of the change** is perhaps the single most important element of the 8 steps.
5. **Empower employees** through involvement and resistance management.
6. **Generate short-term wins and celebrate them** to show progress and maintain change momentum.
7. **Consolidate gains and produce more change** by reinforcing the right behaviour.
8. **Anchor the change** by aligning behaviour and culture.

There are many reasons why many change management projects fail in service outsourcing. The most common reasons are a) lack of formal change management processes, b) resistance from employees, c) low priority from middle managers, d) no co-operation with the service provider, e) low priority for change management at senior level, f) change saturation and g) poor integration with the project management program.



Why Change Management?



Organisations go through more changes more rapidly today than they did 20 years ago. Competition in global markets means that the life expectancy for strategies, new products, processes and organisational structures gets shorter and shorter. This in turn increases the pressure for innovation and technological changes. At the same time companies outsource more and more in order to stay competitive and make cost structures lean and variable. The demand for organisations to change is therefore ever increasing.

While many people adapt well to change, research shows consistently that organisations most often experience significant problems during change. Change projects often affect important psychological emotions in individuals in a negative way. These include anxiety, frustration, resistance, motivation, sense of well-being, and loyalty towards the organisation. These emotional reactions affect their ability and desire to change as well as affecting productivity and the success of the project.

Service outsourcing is associated with many changes. For the employees who will be outsourced, the changes are significant, as they will experience a change in employer, as well as changes in working conditions. Both sets of changes often impact the affected employees heavily. For the rest of the organisation, service outsourcing will also lead to many changes. Services may be performed in a different way, some services may change quality and rhythm and the employees may be asked to do things differently. Finally, the organisation and its culture may also change as a result of service outsourcing.

Change management in service outsourcing is a process that runs in parallel with the outsourcing project itself and which deals with the people side of the service outsourcing project. This process includes activities to communicate the change, manage emotions and get involvement. People look for security, involvement and transparency in terms of outsourcing processes.

It is well documented that a solid, structured change management programme based upon best practice adds significant value to the project and shareholders as well as the employees. This value is both tangible and financial. Research shows that the ROI (return on investment) on projects with a well-structured change programme is significantly higher than on the ones without.

This White Paper will demonstrate how the process of service outsourcing can be significantly improved through the use of solid best practice change management principles. These will be illustrated in the context of a service outsourcing but many of them can be used in conjunction with many other types of change projects.

Transition Management vs Change Management

Before we describe how a change process should be managed from a people point of view, it is worth briefly describing the differences between change management and transition management – both of which should be included when outsourcing services.

Change management deals with the entire process and with all aspects of getting the employees and the organisation ready to change, and supports them during the change process. It deals with all people aspects of change. Transition management is a part of the change management process that deals specifically with the transition of employees working in the department or business unit that is being outsourced to the service provider.

The change management process should not replace but should instead co-operate with and run in parallel with the transition process. This is illustrated in figure 1. In our White Paper “Transition Management in Outsourcing” it is clearly demonstrated how a transition affects people and their performance as well as how a best practice transition management programme is structured (Andersen & Ankerstjerne, 2010).

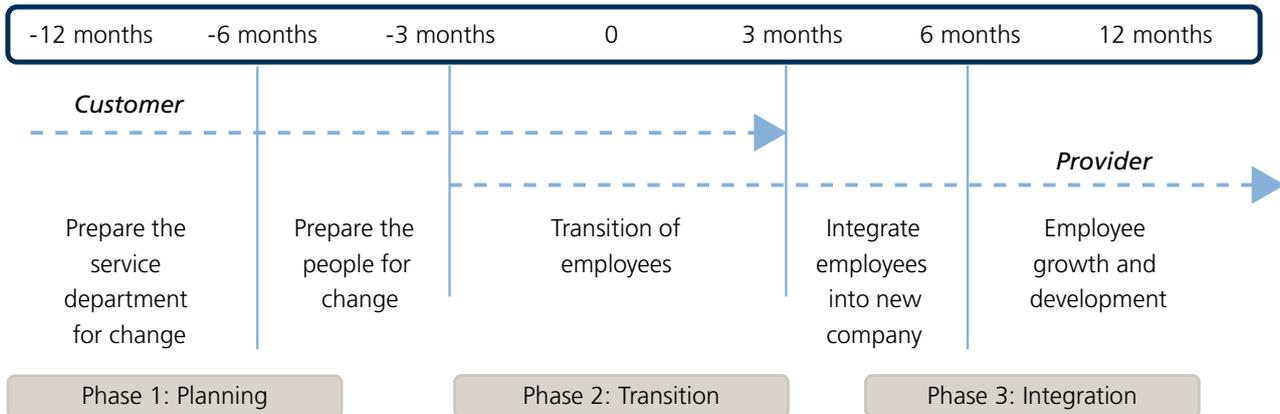
Figure 1: Connection between change management and transition management



Source: Aspector

The transition programme begins a few months before the actual handover and a well-structured process must therefore be planned well in advance. The actual transition – i.e. when the employees are notified and transferred to the service provider – normally starts about three months prior to the official handover. Prior to the transition of employees, the customer will have worked through a planning phase. This planning phase should form part of the change management process. Michael Corbett (2004) suggests that the timeline for preparing employees for change and assisting them through the process begins about 12 months before the official handover and runs through to about 12 months afterwards. This is illustrated in figure 2.

Figure 2: Transition process



Source: Corbett, 2004

The change for the employees who will be transferred to the service provider is much greater than for the rest of the organisation. That is why special attention should be paid to this particular part of the change management project, hence the reason it is made into a separate project. A job transition is a big event and is likely to be one of the most significant events for many years in the career of the people involved.

Evidence suggests that employees go through four phases during job transitions that affect how they feel and how they behave during the outsourcing process. Almost everybody goes through these four phases, though at different speeds. The first phase is 'shock and disbelief', when the employees cannot believe the news and are shocked. Managers generally tend to underestimate the level of shock that employees experience and its consequences. 'Resistance and frustration' is the phase when the employees assess how this will affect them and resist if the effort is deemed too great or the effect too negative. During the 'transformation' phase the employees will look towards the future and conclude, "This is not so bad after all". Finally, the employees will 'embrace' the new job situation with renewed optimism and energy.

How the transition process is managed will greatly impact productivity, job satisfaction and consequently customer satisfaction. Good transition management will help the employees pass safely and quickly through the four phases, whereas if management is not visible or communicating enough it will do the opposite. During the resistance phase, productivity will be severely negatively impacted. A successful transition process can take productivity and job satisfaction to a higher level than prior to the outsourcing process.

In summary, transition management in service outsourcing is the special attention paid to the employees who will transfer to the service provider. Change management in turn is dealing with all the people issues relating to the change project.

Change Management processes

Change management has over the last 15 years has moved from a reactive ad hoc reaction to change to a more proactive and structured approach (Prosci, 2007). It has become a discipline on its own with tools, processes and, not least, research into best practice.

The change management processes ultimately have three goals. They are to:

1. Ensure that the project – the service outsourcing – is implemented as expected with no disruptions to the services provided and the running of the business.
2. Maintain or to increase the employee engagement and productivity in both the outsourced service function and in the core part of the organisation during and after the project.
3. Maintain a good working relationship between the outsourced department and the rest of the organisation during and after the outsourcing.

Changing behaviour is hard

Changes in the workplace – regardless of its origin – are at its core about doing things differently. This is also the case when a service function is being outsourced. Many employees will at a very basic level be asked to make changes to their work habits, roles and/or routines. It may be that they will have to book meeting rooms differently, printers may be moved, they may have to empty their own trash bins, opening hours in the canteen may change, their post may be delivered an hour later or they may have to do tasks previously done by the receptionist such as booking travel themselves. While these examples suggest minor changes to work routines they still require employees to do things differently. Case studies suggest that some of these seemingly small changes can lead to relatively major disruptions.

As individuals we all approach change in different ways. For some, changing the way we do things comes naturally, and is even welcome. For others, it represents something very difficult, which frightens and is therefore resisted. While it may seem obvious that change is difficult and may cause resistance, most managers tend to underestimate how hard it is for employees to make even small changes to work habits. As a consequence they often lack patience, which sometimes results in resistance and possibly conflicts.

Kurt Lewin, a social psychologist, founded the change management discipline in the 1940s and was interested in how individuals change. He was one of the first to show that intention and motivation is never enough to produce lasting change (Andersen, 2011). Through a range of experiments he showed that although many are motivated to change most are unable to make the new behaviour permanent. We know this ourselves when we try to lose weight or change a routine. It is hard. While our motivation is high and our decision fresh in our mind we may do something about it, but after a short while we revert to our old ways. Lewin showed that powerful forces are working against change and that one of the most important ones is the power of habits.

Lewin suggested that in order to change a habit, individuals must follow a simple three-stage process.

Figure 3: Lewin change model



Source: Cameron & Green, 2004

The three stages are as follows:

1. Unfreeze existing habits or mental structures (ideas, views, beliefs) to be ready to change. The person must understand why it is important to change, why the habit is no longer working, remove uncertainty and dismantle the existing mindset. There has to be a driving force towards change.
2. Change the habit. The person must try the new behaviour, evaluate what works and what doesn't and adjust his or her actions accordingly. Barriers to this new behaviour will become apparent and these must be removed. Finally the motivation must constantly be renewed, for example through personal rewards when the behaviour is performed well.
3. Refreeze the new habit. The new behaviour must become a lasting habit. This involves performing the new behaviour many times, constantly evaluating progress and receiving external feedback on performance.

Because organisational change is also about changing behaviour for a group of individuals, a change management programme must acknowledge how individuals change their behaviour.

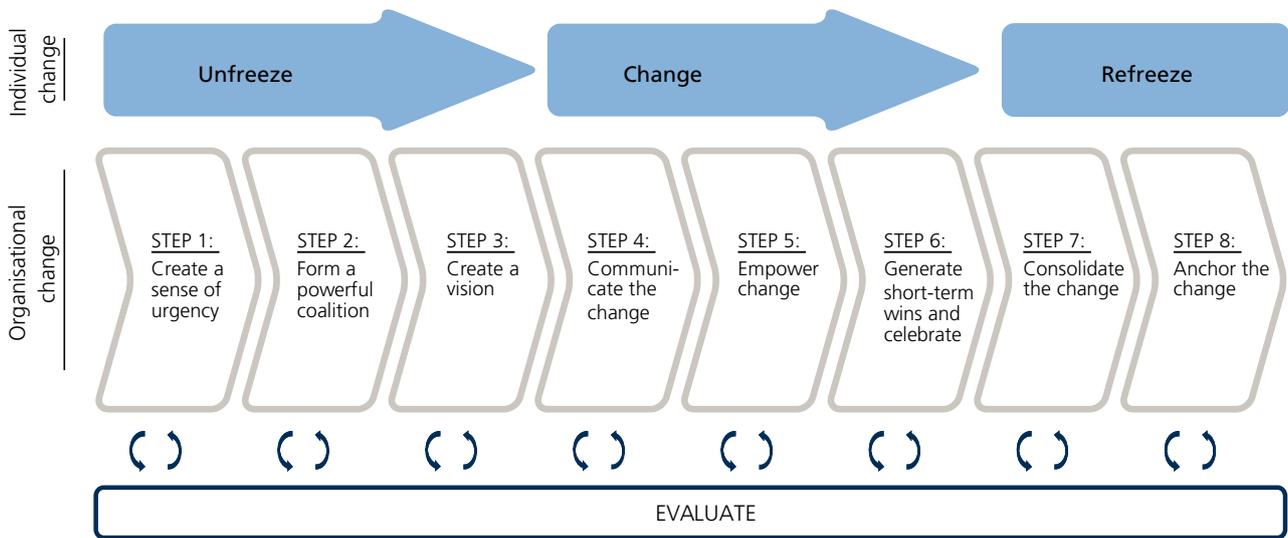
Best practice steps in effective change management

"Strategy without implementation is a dream. Implementation without change management is a nightmare"

There is no universal template for a change management programme and attempts to simply copy one from one company or context to another should be avoided. It must be developed to fit the unique context of the company and outsourcing situation.

John Kotter (1997) has formulated a generic process model with a number of best practice steps, which any change management process should follow. His 8-step model includes all major process-elements of the people side of change. If Lewin's model is about individual change then Kotter's model is about organisational change.

Figure 4: Change management process model



Source: Aspector

The model appear very linear with similarities to traditional project management. But the truth is that the model and change management in general is quite the opposite. Change management is more similar to leadership than to (project) management. Where (project) management is about planning and budgeting, organising and staffing, controlling and problem solving, then leadership is about establishing a direction, aligning people and motivating and inspiring (Kotter, 1997). Change management is in that respect 80% about leadership and 20% about management.

Step 1–3: Creating a climate for change

Many companies skip steps 1–3 because their focus is more on the project itself and less on the people side of the change. It is only when things go wrong or when too many rumours circulate that change management is viewed as being important.

This is dangerous for two reasons. Firstly, change management requires momentum – it is not a stop-go process. Change management is to a large extent about engaging people and dealing with their emotions towards the project. This must be done continuously. The second reason is that it is much easier to deal with issues and concerns upfront rather than when the problems have occurred when conflicts and resistance can make it difficult to fix.

1. Create a sense of urgency

People and organisations will not change unless it is absolutely necessary. This is not because people are bad – it is just human nature to try to preserve the status quo. By creating a sense of urgency, the top management team communicates that the status quo is no longer an option and that this project and the changes it brings are necessary. It also serves to activate the 20% of the employees who must go well beyond the call of duty to make a special effort to make the service outsourcing a success.

The communication of the sense of urgency – or burning platform – should come from a C-level representative in person. This is important. This cannot be communicated by HR or another senior manager in the organisation.

In service outsourcing it is a good idea to split the communication into two parts – one face-to-face meeting for the department or business unit about to be outsourced and another type of communication to the rest of the organisation. This is because the impact of the project is very different for the two groups. At the meeting with the service department, the C-level representative must articulate the burning platform clearly. It must be a speech more about emotions than logic. The importance of this meeting should not be underestimated as this is where the employees will be told that their jobs will be outsourced. The meeting should be all about announcing the initiative and creating a burning platform. Details should be left for a follow-up meeting.

The communication to the rest of the organisation does not need to be in person from the C-level representative. This can be done – dependent upon the type of organisation – through e-mail, web cast or internal memo etc. Here the C-level representative can, to a greater extent, use logic and economic and business orientated arguments. It may, however, still be a very emotional content as the rest of the organisation will be told that they will lose colleagues to an outside service provider, that services previously done by the company itself will now be done externally and that they will be required to do things differently. Dependent on the circumstances this may upset some.

2. Form a powerful change management team

A powerful team should be put together to help steer this change safely through. Careful thought should be put into who should be part of this team. It is a common mistake to assemble a team of people who have the time or people who are very interested in change management (this could be someone in HR). While it is important to include people who are interested in doing a good job other considerations must also be made.

The team should include people who have enough formal power to make the project difficult to block. A C-level representative should be in the team. Other competencies such as strong leadership, effective communication and project management skills should be included. In addition the team should include someone senior from the project team and the transition team. When the service provider has been selected, a C-level representative should also be included in the team as he or she is likely to have significant experience with change management in outsourcing and can align the organisation's own initiatives with that of the customer. Employee representatives can also add much to such a team and should be included.

Overall the team – which should number between 5–8 people – must appear competent and credible with strong formal and informal power.

3. Create a vision for the change

It is often said that people don't mind change – they mind being changed. A powerful vision has the ability to motivate and to inspire people and organisations to move. People must want to change and this inner motivation can come from following a leader and his or her vision.

In the same way that a great vision will inspire and motivate, so will a poor vision de-motivate and create cynicism in the organisation. If cost savings are the main focus, top management must instead find a better vision for the project. What will the cost saving do? What does it mean for the organisation, that it can focus on its core business? Why will the services be performed better in the future and why does it matter?

The vision should be described in less than five minutes, be free of business jargon and be formulated in such a way that it paints a clear and positive picture of the future. There should be a vision behind every service outsourcing. For the people being outsourced in particular, it is important that they feel a higher purpose within the project.



Step 4–6: Engaging and enabling the organisation

4. Communicate the change

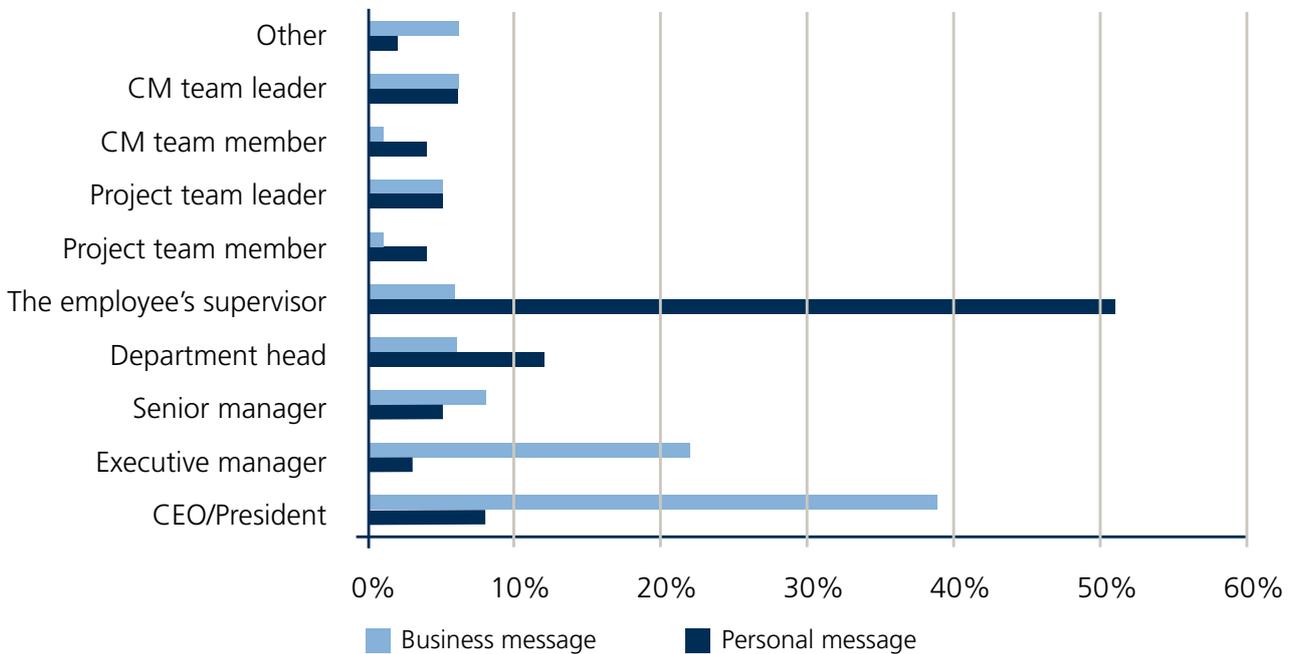
It is often said that the three most important elements in a successful change management programme are communication, communication and communication. Our interviews with employees from five different countries who have been through an outsourcing process showed that this is indeed true. Communication was highlighted in all interviews either as the element that made the whole thing a success or the element that caused the most grief and upset.

Three rules should be followed regarding communication; it must be honest, plentiful and meaningful (Corbett, 2004). Honest communication about the process and the likely implications such as headcount reductions, changes in job content and alterations in pay and benefits are essential. The communication must be plentiful because if the communication space is not filled with deliberate, optimistic and honest communication from the leadership and management team, then it will be filled by rumours, gossip and speculation from a disgruntled group of employees. People need to find meaning in their job, and they will look for any explanation – even if it is both unlikely and negative.

Finally, the communication must be meaningful and situation-relevant. Whenever the leadership and management team communicate something, it should be followed up with a “and here’s what we’re going to do about it”. During the initial phase, the employees are only interested in communication that relates to their specific personal situation.

It is not just about what and how often it is being communicated. Considerations about who should send the messages should also be made. In a survey with participants from 59 countries Prosci, a US-based change management research institute, concluded that employees wanted to hear different things from different senders. Figure 5 show that overall, employees want to hear business messages from the CEO and issues related to their day-to-day job and personal situation from their immediate line-manager. Communication from external consultants, HR, the project team and upper-middle managers should be avoided as much as possible.

Figure 5: preferred senders of change management



Source: Prosci, 2007

It is, therefore, a good idea to train and motivate all supervisors shortly before the official announcement is made so the communication is aligned through the organisation and so they are on board. If there are conflicting messages from the CEO and the supervisor, the employees will trust all personal information from the supervisor.

5. Empowering employees

Employees can be empowered by getting rid of obstacles, recognising and rewarding them for making it happen, changing structures and processes so they are aligned with the new vision and supporting the employees as much as possible. Line managers and supervisors play a large role at this important stage.

One important and common obstacle is actually the resistance from the employees themselves. Resistance towards the project occurs in all change processes – how much and in what forms varies from case to case. A robust and well-structured process will certainly limit the resistance, but it will not entirely remove it. Resistance management is, therefore, an important element in managing change. It is human to react with resistance simply because we prefer the status quo and stick with what we know. A common reaction from managers is to use rational arguments but this only works to a limited extent. The manager must also deal with the emotional side of the impact of the change.

One of the most effective ways of empowering people in general is to use involvement. Evidence suggests that a high degree of involvement during implementation of innovation correlates highly with a successful outcome. Involvement can minimise the impact of the natural resistance that would otherwise occur and conversely a lack of involvement correlates with high levels of stress and poor work environment (Cooper et al., 2001). There are many ways to involve employees in service outsourcing, for example in areas such as design of work and work routines, processes, changes in

service performance, transition management and communication. When involved people feel a greater ownership of the change and hence feel more willing to embrace it.

6. *Generate short-term wins and celebrate them*

The entire change management process will take some time. Dependent upon the type and size of service outsourcing it may take more than a year. During this period it is common for employees and managers to lose sight of the purpose of the project, feel loss of direction, and wonder if things are going well. Setting many short-term goals, and thereby having multiple short-term wins, has proved helpful in alleviating these problems.

Kotter highlights the many roles of short-term wins. They provide evidence of progress, build momentum, remove resistance, reward change agents, and bond teams together. A good short-term win has at least four characteristics: 1) it is visible, i.e. a large number of people can see if the result is real and has been achieved; 2) it is unambiguous; 3) it is clearly related to the change effort and; 4) the goal should be emotionally charged.

Putting this into the context of a service outsourcing situation, the change management's project team should identify upfront an overall goal for the project as well as several short-term wins, the bulk of which should be achieved early on. Examples of short-term goals for the rest of the organisation are 1) high turnout at information meetings, 2) ability to embrace small changes, 3) pre- and post user-satisfaction surveys and 4) participation on intra-social medias etc. For the outsourced business unit examples are 1) communication to all employees within 24 hours of announcement, 2) no resignations during transition, 3) number of complaints, 4) level of participation during information meetings and 5) pre- and post employee-satisfaction surveys.

The celebrations do not need to be big expensive parties with celebrity entertainers. On the contrary research show that effective celebrations often involve small group activities where the team can bond. Examples include activities such as bowling; going to a local restaurant; a team building exercise etc. instead of holding big parties or giving monetary incentives.

Step 7–8: Implementing and sustaining the change

7. *Consolidating gains and producing more change*

One of the most significant contributions from Kurt Lewin is the importance of anchoring new behaviour. It requires a special effort to make a new behaviour permanent. In practice this means that organisations should try to reinforce the right behaviour.

Reinforcements can come in many forms. One way is to use early success as an enabler of future success. This can be done by spreading success stories to the rest of the organisation. It does not matter how large or small the accomplishment is – it should be publicised. Write an article or story about it and put it on the intranet or in internal magazines as well as talk about it at staff meetings, conferences and social gatherings. The successes stories can also be incorporated into corporate training material.





A second reinforcement activity is to create and share the successes in a best practices database. Other employees will be able to see and learn from others' experiences. It does not need to be success stories only. Do the same with not-so-successful events – share 'worst practice' and learn from the mistakes but in an objective manner.

HR processes and systems often play a significant role in this phase. Employees who embody the change or who can facilitate the change should be identified or recruited. By actively promoting and hiring change agents the organisation is more likely to make the change permanent. The organisation should also actively use HR processes to reward employees who embody the change or who can facilitate the change. There will inevitably be some employees who do not want to change or remain very negative about the project to such an extent that it may damage the project itself. These should also be identified and – at worst – be redeployed or replaced.

A ceremony after the change has been implemented can be held to acknowledge that the change has been difficult (if it has) and openly acknowledge the improvements the change has created. The purpose of such a ceremony is also to make clear that the change period is now over and that the new behaviour is now expected from all.

8. Anchor the change in the corporate culture

A new behaviour is most effectively anchored if it is congruent with the culture of the company. It is therefore recommended that the new behaviour be framed and introduced as being part of the culture. It will make the new behaviour stick.

There is a saying that if culture and strategy clash – culture always wins. The outsourcing contract should therefore be structured in a way that it does not require the employees to behave in a way that is in contrast to, or markedly different from, the existing culture. This must be considered (long) before the actual outsourcing project is established.

The executive leadership team is an important bearer and shaper of a company's culture. The members of the team are required to promote the vision continuously, champion the cause and be a role model i.e. to walk-the-talk. If a specific behaviour is required it is expected that the members of the leadership team consistently display this behaviour.

When adding new elements to a culture it is equally important to delete some existing elements at the same time. An easy but often neglected area is eliminating processes that are no longer required. It is surprising how many processes remain in place long after a change has eliminated their uses. The processes gain their own life so to speak. A focused effort to clean up and eliminate the outdated processes should, therefore, be prioritised.

Common pitfalls – why change projects often fail

There are many reasons why many change management projects fail in service outsourcing. Research, case studies and our own interviews point to the following eight reasons as the most common why change programmes fail. They are in no particular order:

- 1. Lack of formal change management processes.** Change management has over the last 15 years evolved into a more proactive and structured approach towards change. It has become a discipline on its own. This means that more systematic approaches have been developed, best practice processes are known and tested and standard tools and terminology are now accepted. Yet, despite this knowledge most change programmes remain poorly planned with lack of formal processes. Despite some attempts to communicate or to involve employees, a change programme with no formal change management process is more likely to fail.
- 2. Poor integration with project management.** Project management and change management are two distinct disciplines. Although they are different in their approach and execution they are also interlinked and must be aligned. Research suggests that in only about 45% of all change projects is the change management programme integrated and aligned with the project management program.

A closer integration can be achieved if the project manager becomes a member of the change management team and vice versa.

- 3. Poor support from middle managers.** The importance of middle managers and supervisors in change processes cannot be overstated. Most employees will think about WIIFM (What's In It For Me) when deciding whether to embrace or to resist the change. Studies show that there is a strong correlation between the overall support from middle managers and the level of resistance to the change project. It is, therefore, important to engage and gain the support from middle managers right from the beginning of the project.
- 4. Low priority for change management.** A low priority on change management will lead to two things. First, a lack of a visible senior sponsorship. Lack of sponsorship from the CEO or another high-ranking executive is one of the single biggest reasons why change management fails. A second consequence is that this often results in lack of resources being made available to conduct the change management programme – this is often lack of money or time.

- 5. No co-operation between customer and service provider.** The level of overall satisfaction with the contract depends by and large on the level of co-operation between the customer and the service provider. In many cases, however, the two have a low level of co-operation, which in turn leads to poor communication, mismanaged transition and high employee turnover in the outsourced business unit. Note that the seeds of poor co-operation can often be traced back to the RFP stage. Many RFP's are counterproductive to a change management program. In our interviews we found many examples where the support functions from the customer organisation showed a visible lack of interest and priority given to the outsourced unit long before the handover. This resulted in a high employee turnover in the business unit and dissatisfaction from both the customer and the service provider.
- 6. Change saturation.** Change is a state most companies constantly find themselves in. At the same time it should be recognised that most companies – and their employees – have a saturation limit. Above this limit change becomes more problematic. The change team must try to assess the change saturation level in the organisation before the project gets under way (Prosci, 2007). On the basis of this assessment the team can adjust its activities accordingly. If the saturation level is too high, the team should even consider delaying the service outsourcing. More effort should be put on rewarding and celebrating successes and short-term wins. The management team should display their empathy with the employees. The saturation level can be assessed by monitoring employee turnover rates, absenteeism, productivity levels, employee engagement levels, lack of inter-departmental co-operation and silo-thinking as well as a general low level of trust in management.
- 7. Poor transition between the two companies.** Our interviews identified several examples where the customer – especially the HR department – lost all interest in the outsourced employees several months before the official handover. This left the employees very dissatisfied, not knowing which organisation they belonged to and feeling unwanted. Transition management is an important element of change management and if left out can negatively impact the entire change management effort.
- 8. Resistance from employees.** Many of the common pitfalls points listed above are likely to lead to resistance from the employees. For example, if the middle managers are not on board then neither will the employees be. If the organisation has gone through too many changes in a short time period then this may lead to resistance. Resistance is consistently cited as the single most important reason why change efforts fail and yet few change programmes use specific resistance management tools and processes to identify and manage resistance. Special effort should be put into a managing resistance proactively and well, instead of hoping resistance will not occur.

Conclusion

Service outsourcing creates many changes. For the employees who will be outsourced the changes are significant but also for the rest of the organisation outsourcing will lead to many changes; services may be performed in a different way; some services may change quality and rhythm; the employees may be asked to do things differently; and the culture may also change.

Change management in service outsourcing is a process that runs in parallel with the outsourcing project itself and which deals with the people side of the service outsourcing project. This includes activities to communicate the change, manage emotions and gain involvement. The aim of the change management process is ultimately to ensure that the service outsourcing is implemented as expected with no disruptions to the service; to maintain or to increase the employee engagement and productivity; and to maintain a good working relationship between the outsourced department and the rest of the organisation.

A part of the change management process is the transition of employees working in the department that is being outsourced. The change for the employees who will be transferred to the service provider is much greater than for the rest of the organisation. That is why special attention should be put on this particular part of the project. How the transition process is managed will greatly impact productivity, job satisfaction and consequently customer satisfaction.

As individuals we all approach change in different ways. For some, it comes naturally and is even welcome. For others, it represents something very difficult and is therefore resisted. Managers tend to underestimate how hard it is for employees to make even small changes to work habits. Consequently they often lack patience, which sometimes results in resistance and possibly conflicts.

There is no universal template for a Change management programme, however Kotter's 8-step model includes all major process elements of the people side of change and can be used as a generic process template.

1. Create a sense of urgency. Top management must communicate that the status quo is no longer an option and that this change project is necessary for the organisation.
2. Form a powerful change management team. The team should include senior executives with formal power, people with strong leadership competencies, effective communication skills and project management skills. When selected, a senior representative from the service provider should also be included.
3. Create a vision for the change. A powerful vision has the ability to motivate and to inspire people and organisations to move. The vision should be described in less than five minutes, be free of jargon and be formulated in such a way that it paints a clear and positive picture of the future.



4. Communicate the change. Communication is perhaps the single most important element of the 8 steps – it either makes the project a success or causes grief and upset.
5. Empower employees. Employees can be empowered by getting rid of obstacles, recognising and rewarding them and changing structures and processes so they are aligned with the new vision. One of the largest obstacles is employee resistance and it must be managed. One of the most effective ways of empowering people in general is to use involvement as much as possible.
6. Generate short-term wins and celebrate them. Short-term wins provide evidence of progress, build momentum, remove resistance, reward change agents, and bond teams together. They can maintain the change momentum.
7. Consolidate gains and produce more change. The right behaviour must be reinforced to make it permanent. This can be done by spreading success stories, creating a best practice database, promoting and recruiting change agents and rewarding change facilitators.
8. Anchor the change in the corporate culture. A new behaviour is most effectively anchored if it is congruent with the culture of the company. The contract should therefore be structured so the employees should not behave in a way that is markedly different from the existing culture.

There are many reasons why some change management projects fail in service outsourcing. Research, case studies and our own interviews point to the following eight reasons as the most common why change programmes fail. They are in random order:

- Lack of formal change management processes.
- Poor integration with project management.
- Poor support from middle managers.
- Low priority for change management at senior level.
- No co-operation between customer and service provider.
- Change saturation.
- Poor transition between the two companies.
- Resistance from employees.

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