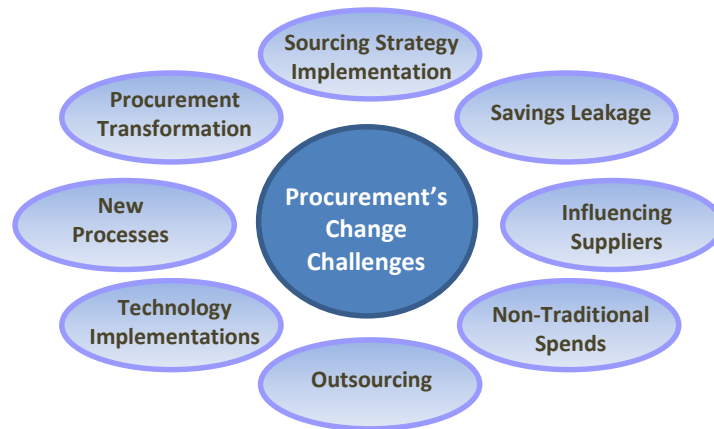


## Influencing Change – The Solution to Procurement's Change Challenges

*What qualifies people to be called “leaders” is their capacity to influence others to change their behavior in order to achieve important results.*

Have you ever worked on a project that failed to meet quality, cost or timing goals? Be honest. I suspect that if you've been in business for any period of time you'll answer “Yes”. Organizations are notoriously bad at change! Conservative estimates indicate that over two-thirds of organization change efforts fail, and Procurement is *not* exempt from this curse. A recent Proxima & Nelson Hall study found that 98% of CFOs believe change management is a critical skill for Procurement, yet 60% expressed dissatisfaction with Procurement's change management capability.

Today's Procurement professionals are faced with a plethora of complex change challenges.



Like you, I have battle scars from failed change initiatives:

- When sourcing corrugated containers in a soft market we reallocated business every 6 months identifying multi-million dollar savings. However, these opportunities required qualifications confirming compatibility with automated packing equipment. At the end of the award period, a large percentage of our qualifications were incomplete and the savings went unrealized.
- We had a persistent quality issue with a major supplier upon whom we were dependent. It severely impacted line speeds in a market where our product was on allocation. Despite best efforts the problems went unresolved for months.
- A software initiative was over a year behind schedule with a tremendous cost over-run. This was compounded by the damage to customer “good will” as we announced repeated delays at the eleventh hour.
- Procurement recommended piloting an innovative new approach, Healthcare Savings Accounts, to HR (ca. 2000). No way; no how! Projected savings were 10% of current costs.

Does all of this sound familiar? It's sobering when you think of the wasted dollars, the lost opportunity cost, the frustrated employees, and the increasing organization cynicism. Employees adopt a “program of the month” mentality digging in their heels with any new initiative because they know it will go away if they just stall long enough. W. Edwards Deming describes these as “costs unknown and unknowable”. It's *not* a pretty picture!

Change management is not a new discipline. My first exposure was in the early '70s working with organization effectiveness pros at Procter & Gamble. These were the folks who were instrumental in converting hardline paper mills to high commitment work systems. I studied at the feet of these masters and dutifully applied what I learned to numerous change initiatives. Some were more successful than others, and I achieved better than average results. But there was definitely room for improvement!

I recently discovered a revolutionary and award-winning change approach. What's so different about the VitalSmarts' *Influencer* methodology? Traditional change management focuses on strategies, systems, processes and structure. While these are important, they are insufficient. They address only the tip of the iceberg forgetting that it's what's below the waterline that kills you. We typically neglect the underlying organization culture and status-quo behaviors that subvert change. Think of a change initiative as an app on your Smartphone. It can be a great app, but if it's incompatible with your phone's operating system (e.g. Android, Windows, Apple), it won't work effectively. We often spend our time programming the app (fine-tuning strategies, systems, processes and structure) without addressing compatibility with the underlying cultural operating system. This incompatibility causes poor results and fleeting change or even complete failure.

Successful initiatives recognize that organization change is the sum of individuals' behavior changes. We must target the root causes of individual behaviors to achieve desired results. When pursuing change, we often dilute our efforts with too broad a focus. We can't change 20 things at once! We need to zero in on the vital (high-leverage) behaviors – those few behaviors that, if routinely enacted, will result in the greatest amount of change. A vital behavior might be an internal stakeholder's willingness to engage Procurement in the sourcing process for marketing or legal services.

How do we identify vital behaviors? Vital behaviors lurk in crucial moments – the point in time when an individual decides to change, or not. Perhaps it's when the time-pressured category manager decides whether to use eSourcing or continue with email and spreadsheets. Or maybe it's when the storeroom supervisor decides to order from his favorite supplier rather than the one under contract. Vital behaviors can also be identified by studying positive deviance – situations where there is unexpected success. Is there a particular individual or location that has demonstrated success where others have failed? Perhaps the Atlanta plant has significantly less savings leakage. What can you learn from these aberrations? Finally, vital behaviors can be uncovered by spotting culture busters -- behaviors that are currently taboo or punished, or that challenge cultural norms. For example, is it acceptable to speak up when management dictates an unreasonable deadline? Does your department fess up when you're behind schedule, or do you play "organization chicken" – hoping that another function will admit their incapability before you have to? Culture busters like these point to vital behaviors.

Another short-coming of traditional change management is the tendency to "underwhelm" the challenge. Change agents often look for a "silver bullet" to drive change. We all have our favorites. According to research documented in the MIT *Sloan Management Review* article "How to Have Influence", the vast majority of leaders apply only a single influence strategy. Fewer than 5% use four or more sources of influence. Research further proves that employing Six Sources of Influence™, which address motivation and ability from personal, social and structural forces, increases success tenfold! (<http://tinyurl.com/kg3hyjo>) The difference between effective and ineffective change makers is that they marshal several sources *simultaneously* to get superior results.

The Six Sources of Influence is a 2x3 matrix that addresses motivation and ability from personal, social and structural forces. Motivation considers whether change is worthwhile. Ability addresses whether there are necessary skills or capability to change behavior. Personal motivation and ability look at the individual's desire to change and whether they are capable of making the changes that are required. Social motivation and ability examine social forces that encourage or discourage change, and social forces that enable or disable change. Structural motivation and ability consider how extrinsic rewards affect motivation and how the environment affects the ability to change.

Most of us have used all six sources at one time or another. The key, however, is to use them *concurrently* to encourage vital behaviors that, if adopted, will overwhelm resistant problems. Most problem behaviors don't have a single root cause. Rather there is a conspiracy of causes that must be addressed by multiple sources of influence. Let's examine each of these sources and see how they might be applied to Procurement's change challenges.

#### **Source 1 – Personal Motivation:**

WIIFM -- What's in it for me? Individuals are constantly assessing how to spend their limited time and effort. To invest in change, they must appreciate the personal benefits. Most often we try to spur motivation through verbal persuasion; however, this is notoriously ineffective. Like Charlie Brown, all they hear is: "Wah wah wah wah wah!" Or perhaps they lapse into a Power Point coma.

It is significantly more effective to tap an individual's values, beliefs or experience. Many years ago, I was involved in a major quality issue that resulted in cases of liquid detergent falling like dominos in a warehouse due to pinhole leaks in the plastic bottles. The product had seeped into the corrugated and the weakened containers collapsed. Fortunately, no one was injured. But imagine the clean-up: opening damaged cases, inspecting the contents and removing the leaky bottles, salvaging the product and cleaning the slimy bottles, disposing of the soggy corrugated and cleaning up the spills on the warehouse

floor. Do you use water? What a mess! Is it any surprise that when Total Quality Management was introduced in the early 1980s, I was all in! I had a personal experience that drove me!

If our change targets don't have personal experience, we can create these through field trips or vicarious experiences. Recall the persistent quality issue referenced above. This was an ongoing material issue that severely impacted line speeds. Since the end product was on allocation, every case not produced represented lost profit. It was a huge, but elusive problem. Finally, in frustration, the supplier sent one of their line technicians to our production facility several states away so that he could see the problem. It was a field trip. The technician was not only able to view the problem first-hand, but now the "complainers" had names and faces. He personally observed the impact of the line jams: downtime, product and material scrap and huge frustration. Not surprisingly, the supplier's problem-solving effort increased dramatically and the problem was soon resolved. The supplier representative was personally motivated to fix the problem for his new friend – a fellow line technician. The field trip worked!

### **Source 2 – Personal Ability**

If you offered me a large sum of money, could I do it? If not, it's an ability issue. We often blame motivation when there is an underlying inability. For example, many hypothesize that eSourcing adoption fails because users are inherently resistant to change. Perhaps, but it might also be an ability issue. eSourcing requires a well-defined sourcing process. If my current approach is "three bids and a buy" or a perfunctory RFQ, I may not really know how to source properly. This new tool requires a rigorous process that's outside of my experience base, and I may be too embarrassed to admit it! It's not a motivation issue; it's ability! Or perhaps I'm being encouraged to use an optimization solution. Here the pre-planning of potential award strategies becomes critical. I may be resistant because I don't have the skills or experience, and am unconvinced I'll get the support needed to be successful. However, we should be careful when blaming ability. Training is a very enticing solution; it's easy! That is why diagnosis is critical before action planning. Training won't solve a motivation issue.

### **Sources 3 – Social Motivation**

As adults, we think we're immune to peer pressure. Wrong! In business, we take the opinion of respected colleagues seriously. We look to see who's succeeding and how they're doing it, and often emulate their behavior. I recall a huge initiative to increase suppliers' quality focus. One particular division was way ahead and getting lots of accolades. It's amazing how quickly the notoriously stodgy division came around with some innovative efforts of their own!

When considering Social Motivation, we must recognize that every organization has Opinion Leaders. These individuals are not designated by title or position. Rather they're broadly recognized as influencers. To identify Opinion Leaders ask a number of people: "Who do you look up to? Who do you go to when you need advice?" It's important to identify Opinion Leaders because they will definitely influence your change initiative -- either positively or negatively. Strong-arming doesn't work with these folks. One of the reasons they're respected is because of their independent thinking. For your change effort to be effective, you need to address Opinion Leaders' concerns and gain their support. When implementing an ERP system we recruited an outspoken production planner. She was one tough cookie! You weren't going to shove anything down her throat. Frankly, she raised some valid concerns that we'd neglected. We had to regroup and modify some plans, but the result was a better system. This "nay-sayer" then became our biggest advocate and greased the skids for implementation among her peers.

### **Source 4 -- Social Ability**

This source relates to how individuals enable or disable others' efforts. Perhaps I'm dependent upon a remote location to provide spend data for our new spend analysis solution. When they miss their commitment, I can't make mine. Am I resistant to this new solution? No. I just haven't gotten the support (data) I need to do my job. We often "kick the dog" – the last person in line – when it's an upstream problem. This is where process mapping can be useful. Who needs what? From whom? By when? Is the process incapable? Where does it typically break down? We need to address these questions as part of our change initiative.

### **Source 5 – Structural Motivation**

If we can just offer the right incentives, people will fall in line, right? Not necessarily! External rewards can be tricky. Beware: they should only be used after first addressing personal and social motivation. People are driven much more by personal values and beliefs (intrinsic rewards) or by social pressure than they are by external incentives. External rewards also tend to be fleeting. Take away the reward and the desired behavior disappears. You should also be extremely cautious about what you reward. If you want collaboration but reward individual performance, guess what you'll get? It's a common mistake. Also, be sure to make rewards proportional. If they're too large, the focus is on the reward rather than the objective. Individuals may seek any means to an end. Not a good long-term practice!

If you're getting some funny behaviors, check your reward system. I recall a monthly conversation with a production planner who repeatedly ordered 75% of a month's requirements to be delivered during in the first week of the month. Despite my repeated and reasoned explanations about production rates and smooth off-take, the pattern continued causing extreme supplier production pressures and excessive warehousing costs. The light bulb illuminated when I learned that the planner was severely chastised for running out of inventory and was measured on inventory levels on the last day of the month. Not surprisingly, she ran the stock to skeletal levels by month end and then immediately stocked-up to avoid outages. My pleas continued to fall on deaf ears until the rewards were properly aligned.

### Source 6 – Structural Ability

It's important to consider how the environment (data, facilities, templates, tools, etc.) support or hinder our change effort. In my experience, this source can be a big contributor to eSourcing adoption failures. Since only about 10% of training content is retained, it's critical that new users have good ongoing support. If your support plan contains structural issues (e.g. help and support are inconvenient due to physical distance, time zones or language barriers, unsearchable help materials, etc.), users will just do what's familiar and easy. Commodity templates are a positive example of enhanced structural ability. They give new users a starting point and model best practices.

Remember, as you construct your change plan it's important to over-determine success by using all Six Sources of Influence simultaneously to drive the desired behavioral changes. You must also monitor progress and make necessary adjustments as you move forward. Perhaps a behavior you thought was vital really isn't. Don't get discouraged if you need to make mid-course corrections. Recognize that issues are data, not disasters.

### Key Take-Aways

Mastering the ability to motivate and enable others to change their behavior may be the most important skill you'll ever acquire. To summarize, here are the keys to systematically create rapid, profound and sustainable change.

- Recognize that traditional change management approaches are insufficient because they don't address organization culture and status quo behaviors.
- Narrow your focus to avoid diluting your effort. Identify a few vital (high-leverage) behaviors and concentrate on those.
- Find vital behaviors by:
  - Identifying crucial moments – the point in time when an individual decides to change, or not.
  - Studying positive deviance – situations where there is unexpected success.
  - Uncovering culture busters -- behaviors that are currently taboo or punished, or that challenge cultural norms.
- Diagnose before you strategize. Ask: why is the vital behavior *not* occurring today?
- Over-determine success by applying the Six Sources of Influence to the vital behavior *concurrently* to increase your success tenfold.
- Monitor progress and adjust as necessary. Issues are data, not disasters.

[Paladin Associates](#) has partnered with [VitalSmarts](#) tailoring their Influencer methodology to address Procurement's change challenges. For further information on Paladin's Influencing Change offering, please contact Barbara Ardell ([BArdell@PaladinAssociatesInc.com](mailto:BArdell@PaladinAssociatesInc.com)).

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