Managing Change While Going Global

Managing change to services globalization environment is almost always disruptive and at times, traumatic. Nevertheless, it is a part of organizational life and essential for progress.

When approaching the multi-dimensional change created by services globalization, many firms find that the change is all-consuming and often unproductive. It is easier to change systems and processes but difficult to change people. Hence the evolution seems slower because most organizations spend 90% of their time and effort on systems and only 10% of their time in managing people’s expectations. Effective change management is similar whether creating an internal captive unit or outsourcing to a service provider.

Key Topics Covered

- Why is change management important in services globalization?
- What can organizations do to become “change ready” before embarking on services globalization initiatives?
- What steps can organizations take to accelerate the change process and how can the process be implemented?
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Introduction

This report is focused on how to effectively manage the change to services globalization. It also aims to help business leaders understand that communication is an integral part of successful change management.

The global services industry has been rapidly expanding and evolving over the past few years. Companies are investing more in third-party outsourcing or BoTs (build-operate-transfer) versus investing in captive centers. Hence business leaders often find themselves managing internal resistance to offshore while also working to realize the objectives of globalization.

Change management is an important and critical tool in services globalization for several reasons:

- Services globalization is an evolving source of business change (compared to mergers and acquisitions, for example). Employee knowledge of what services globalization actually means may be limited. A change management plan which communicates to employees and customers what the change will look like and how it will progress is important to countering resistance, generating buy-in, and avoiding internal sabotage.

- Services globalization affects business processes and structures throughout a company (thereby generating even greater resistance and misunderstanding within the business enterprise).

- Services globalization involves cross-border cultural exchange. The lack of sensitivity or awareness of diverse cultures can pose as a threat to effective implementation of the offshore initiative.

- Services globalization may involve the termination or redeployment of employees, which can decrease employee morale or damage a company’s relationship within its own business community.

Change management helps reduce any negative impact due to offshoring on company productivity, employee morale, customer satisfaction, shareholder expectations, or organizational objectives.

While the organizational readiness for services globalization will ascertain the effectiveness of the program, this report describes other critical elements that are important for an organization to successfully implement offshore initiatives.
Some of the challenges that the organization will experience throughout the change process include:

- **Buy-in and commitment from stakeholders:** It is not only the C-level executives that need to buy-in to the globalization change initiative but staff at all levels. Most often it is the people involved in operations or functions identified for offshoring that do not buy into the initiative and influence other team members, creating waves of resistance. It becomes critical to have a high degree of commitment from leaders and managers to effectively communicate the need to offshore.

- **Managing employee resistance:** Any change is bound to attract resistance, especially an offshore initiative because of politicized negative publicity and hence will have a direct impact on the employee output. Proactive measures like open communication about the strategic goals of services globalization will be better received than any reactive measures. The idea is to make employees feel secure and not threatened by the globalization initiative.

- **Complacent workforce:** When people are comfortable and complacent about productivity, customer service or costs, or how their competitors are using services globalization to their advantage, they resist the need to change. In our experience complacency sets in when the employees are not in touch with relevant data. Executives may be focusing on sharing only the good news and keeping the bad news under wraps. In such a situation everything will appear fine to employees. It is important to frequently share the actual “state-of-the-business”.

In the course of this report, we will review a systematic approach to planning for change for services globalization, including organizational readiness, a common shared vision and implementation, communication, and monitoring change.
## Organizational Readiness

An organization should be “change ready” before launching a services globalization initiative. Even organizations that have successfully offshored have never found themselves 100% ‘change ready’.

A powerful tool to “spur” change readiness is the use of an effective reward system, CEOs, CFOs, CIOs or any Executive Sponsor should ensure alignment of reward systems to the behavior desired. Different reward systems will work at different phases.

For example:

- Performance-based pay plans, such as stock options and profit sharing, will help during the kick-off / motivation stage of globalization initiative;
- Bonuses for achieving performance targets and successful implementation may be useful during the transition / implementation phase; and,
- Pay-for-performance policy for strategic performance and the attraction / retention of talented people is effective once services globalization is in place.

However, rewards alone cannot produce the desired results if the people driving the services globalization initiative lack the knowledge, information, and power they need to be effective. Thus, rewards should be a part of a larger package of transformational levers. The organization should have effective and respected leaders that can get people to change.

## Becoming Change Ready

If the company is not change-ready for services globalization, the following guidelines can help prepare the organization.

- **Unit-by-Unit Assessment**: The organization as a whole may be unprepared but specific units may be ready. These units may have respected and effective leaders, are motivated to change, or people in those units are accustomed to working together in collaborative ways. Initiate the services globalization change in these prepared units, and use them as test beds for offshoring.

- **Develop Participative Approach**: It is important that people see the “why” of globalization and work together to discover the “what”. Encourage people to work collaboratively between functions by putting together a cross functional team for the services globalization initiative. The more executives get into the trenches with the frontline staff and push decision making down to the lowest possible levels, the stronger the organizational acceptance.

- **Reduce the Hierarchical Structure**: Hierarchy may not have a direct influence on an economically driven globalization program, but it can be a barrier to change. Managers should be encouraged to reduce the hierarchy or bypass it by giving people collaborative work assignments.
Globalization is most successful when fear is removed from the workplace. W. Edwards Deming makes the point that “an organizational culture dominated by fear is incapable of serious change.” Fear will make employees inflexible. They will resist sharing their ideas that may be relevant for the globalization initiative and they may find ways to ensure failure rather than participating in making offshoring a success.

Successful services globalization depends on creating trust and empowerment of people at all levels. The project team should have employees from different levels. Ideally these project team members should be the high-potential resources that are not only able to drive and implement the offshore initiative but also have the courage to communicate relentlessly and make change happen. The following are guidelines to empower people who will work on the globalization change initiative:

- Encourage people to think “out-of-the-box” for IT solutions, workflow management, knowledge transfer, process metrics etc.
- Demonstrate respect for their ideas and do it regularly with sincerity.
- Delegate the implementation / transition plan effectively and don’t micromanage.
- Extend trust. If the results are dissatisfying, work with the teams and the service provider to identify the cause and participate in fixing the process.
- Demonstrate flexibility and release control of at least some part of the offshore project to others at the first opportunity.
- Ensure that the decision making during the implementation / transition stage is not limited to executives; spread it around to the project team. Make sure that it has collective accountability.

The Change Process

Many times organizations launch services globalization from the top without answering some of the basic questions that are relevant to the employees.

- “Why is globalization important?”
- “What’s in it for me? I may actually not have a job!”
- “How does the leadership know what the problems are? They haven’t even bothered to ask us.”
- “Do they really think that this globalization initiative will change the entire company at once?”
- “How much of our time and the company money will they waste into this unknown offshoring river?”

Clearly, organizations need to do better. Executives can approach the globalization initiative from the employee’s point of view with well-defined, actionable steps. The following guidelines can help accelerate this process.

1. Jointly identify Business Problems and Solutions

Problem identification answers the most important question that personnel want to know: Why must we do it? The art lies in how executives ensure that personnel at different levels feel ‘involved’ in helping identify business problems and then jointly proposing the solution. This not only creates motivation to planning but also a sense of urgency. The driver for services globalization may be years of declining profit margins or an increase in costs or customer dissatisfaction. The people closest to the situation will not only be able to identify the problem but also the root cause.
After defining the business problem, the next step is to collaboratively develop a solution. It is natural for people to resist solutions imposed on them. Hence it becomes important to involve managers / team in solution development and program implementation. Executives can mobilize energy and commitment by generating a sense of urgency and building credibility for the services globalization initiative.

2. Develop a Shared Vision and Communicate

A vision of an altered and improved future must be developed and communicated to employees. In communicating the vision, successful executives are specific about how the change initiative will:

a) Improve the business through greater customer satisfaction, product quality, reduced costs, or productivity

b) Benefit employees through new career opportunities, global assignments, project management, or larger bonuses / higher pay for performance

The services globalization vision has to inspire and motivate and hence it must be “translatable” into actions that will produce tangible results. The vision must be compatible with the core values of the organization. If it does not resonate with those values, the change process may invite conflicted behavior and confusion about the right course of action.

Through the globalization vision you should be able to communicate the following:

a) A desirable future state - one that will excite the employees and they will gladly make the effort to attain it

b) Realistic goals - that are achievable by employees

c) Specific results such as 20% reduction in loan processing cycle, 25% reduction in production rejects, or 30% improvement in first call resolution

3. Identify Change Leaders

The leadership must champion, assemble resources and take responsibility for the success of services globalization. Change leaders should not be limited to senior management. The change-management team should be comprised of managers, team leaders, and subject matter experts within the units that are impacted by services globalization. They are closest to the processes and to the people and will have a greater influence to drive change effectively. These are the people who will play a different role in the future state and that a focused retention program should target.

The champion of the services globalization initiative (1) must possess and demonstrate conviction that the offshoring initiative is key to competitiveness and will have a major impact on the bottom line; (2) is able to clearly articulate her/his conviction in a compelling and credible manner; and (3) has the ability to get the job done.

Employees will not buy into the pain and effort of offshoring unless they see a future state that is tangibly better for them. Essentially this ability is a function of operating experience. Organizations that have successfully implemented services globalization have had the best operating managers lead the initiative. A lack of operating knowledge, according to their experience, poses a hurdle on an individual’s ability to make change happen.
Change agents are important players in a services globalization environment to get the ball rolling especially in the transition / implementation stage. These should ideally be the unit leader / manager, subject matter experts or functional trainers. They are accepted as trustworthy and competent and can translate intent into action. The advantage of having such change agents at the lowest possible unit levels is that they are able to see the need to change from the perspective of their audience. They are often seen as “one” with employees and carry a higher acceptance as motivators to change.

4. Focus on Results
Many organizations focus measurement and managerial attention on team-creation, training and other activities rather than on results. It is important to articulate what results should be expected before the team launches on hundreds of activities. Every activity must have its final results defined before finding its place on the master project plan.

The offshoring results should be measurable and the steering group should review the progress of the results periodically. As each milestone is achieved in the services globalization initiative, the champion must communicate to a wider group about the progress on the initiative, the savings realized, and commend employees who contributed to the effort. This will ensure that the team engaged with the globalization initiative stays focused on results and introduces innovative ways of contributing to short-term goals.

5. Let Change Spread
Services globalization is more likely to succeed in peripheral units if they witness early results. Launching an initiative enterprise-wide and expecting the entire organization to change at once is more difficult and less likely to succeed. Companies should create small waves of acceptance instead of creating a huge wave of resistance. Use change agents to effectively communicate the benefits of globalization to peers and colleagues in different units. Keep the initiative simple, achievable and quick to implement. The faster the globalization results are demonstrated and published, the easier it will be to make it a continuous effort across the enterprise.
6. Govern and Monitor Change

The organization must institutionalize the process of realizing gains through a performance measurement system to ensure that everyone is focused on the same metrics. The champion, key players and unit leaders accountable for services globalization initiatives carry the responsibility of implementing ways to measure change. A formal governance structure is often implemented by organizations that have experienced success through globalization; for them continuous improvement is the ultimate goal to reach their future state.

a) Organizational Governance: The champion should ensure that services globalization stays aligned to the business objectives. The change should remain flexible and adaptive to accommodate change.

b) Functional Governance: Key personnel focus on cross functional, cross cultural and knowledge management. They communicate regularly and escalate if the system is misaligned to services globalization.

c) Operational Governance: Unit leaders will be accountable for creating a process metric and measurement system. The scheduling and sequencing of resources and managing relationship with the service provider as an ongoing process is the unit leaders’ responsibility all through the services globalization transition and into a steady state.

Figure 2: Steps Taken in the Different Stages of the Services Globalization Change Process
Implementation of Change Process

Implementation of offshoring can be tricky and presents unpredictable challenges unless the right people are leading and executing a well-crafted plan, including celebrating milestones and relentless communications.

The implementation plan should specify everything from when and where the first kick-off meeting will be held to the final date by when the organization expects to achieve its services globalization transition goal.

a) **Keep it simple:** An overly complex plan will confuse and frustrate participants in the change effort. The flowchart of activities and milestones should be coherent and comprehensible.

b) **Created collaboratively:** Project team members, key players, and unit leaders should collaboratively create the plan. The offshoring implementation plan is a part of the solution and should not be perceived as being imposed on people. A plan devised solely by the champion or leadership team may not reflect the realities of implementation challenges. It is best to involve players that are closest to the operating realities. This will be helpful during the knowledge transfer stage from your unit personnel to the service provider.

c) **Structure it to achieve:** An aggressive plan is good but excessive ambition is not advised. A lot of organizations have experienced failure when they’ve identified too many business processes to migrate in too little time. Both your team and the service provider’s team will feel defeated before even embarking on the journey. Build a plan that can be implemented in manageable and achievable timeframe.

d) **Specify roles and responsibilities:** Your plan should have a role-oriented focus. Every planned outcome should be a known responsibility of one or more team members. Well-defined roles and responsibilities will ensure accountability.

Celebrate Milestones

The services globalization transition can be long and challenging. The team can experience frustration. Executives must keep the team energized and celebrate milestones as they are achieved. Celebrating a number of short-term achievements can:

- neutralize skepticism about the globalization effort;
- provide visibility that people’s hard work is paying off;
- help retain the support and focus of change leaders; and,
- keep up the momentum and boost morale.
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Communicate Relentlessly

Effective communication sets the right tone for services globalization and is critical to implementation. It is a tool that successful organizations have used for motivating employees, for reducing resistance to the offshoring initiative, for preparing employees for the “changed-future-state,” and for giving employees a personal stake in the globalization process. Many organizations end up relying on a single Big Bang announcement without much information about the globalization initiative and the benefits expected out of it. Communication should be ongoing, specific and simple.

a) **Specify the nature of change initiative.**

Communicate how services globalization will impact customer satisfaction, quality, market share, productivity or improve processes. Phrases, themes or slogans will not define what the offshoring initiative is expected to achieve.

b) **Explain why.** Employees are often left wondering about the business reasons behind the globalization change. Instead of letting them guess, its best to proactively share the ‘why’ the need to offshore and what could be various options available for them.

c) **Be honest about the scope.** Some people will be more affected by the services globalization initiative than others. This may lead to lots of fear-generated speculation that will start the waves of resistance to offshoring. Organizations that have been successful are upfront about it; if people will be laid off, they will communicate the plan.

d) **Explain and measure success.** Define success clearly and have measures for what will be accomplished through offshoring. The team and the rest of the organization should know what the metrics are. Measure and communicate progress regularly.

e) **Publish criteria to reward individuals.**

Incentivize people for the additional work, commitment, effort and embracing disruptions that offshoring brings. Communicate how the individuals will get rewarded for progress towards services globalization goals.

f) **Repeat, repeat and repeat the purpose of the globalization initiative.** Employees may not have questions immediately after the initial announcement. They may be shocked, surprised or confused and that does not mean that they have accepted the need for globalization. It is prudent to schedule regular meetings to address the individual aspects of the offshoring project.

g) **Use different communication styles.**

Successful organizations build communication into their plans, using emails, events, newsletters, employee meetings, interactive presentations and floor announcements to keep employees informed, engaged and keyed-up. These communications should be simple, short, crisp and honest about successes and challenges of offshoring.

h) **Communication should be two ways.**

The change leader should spend as much time listening as talking. Attention to this will keep team members involved and motivated. The implementation team needs opportunities to share their learning, concerns and road-blocks with the project sponsor. Build frequent milestone / tollgate reviews in the communication plan.

i) **Deliver consistent message.** All eyes will be on the team that is engaged with services globalization. Be consistent and enthusiastic in communicating the facts, progress and other details. Words, body language and behavior should match and tell the same story.
Conclusion

Managing change to services globalization environment is almost always disruptive and at times, traumatic. Nevertheless, it is a part of organizational life and essential for progress.

When approaching the multi-dimensional change created by services globalization, many firms find that the change is all-consuming and often unproductive. It is easier to change systems and processes but difficult to change people. Hence the evolution seems slower because most organizations spend 90% of their time and effort on systems and only 10% of their time in managing people’s expectations. Effective change management is similar whether creating an internal captive unit or outsourcing to a service provider.

Executives should anticipate the complexity of services globalization and assign project leaders and team members with the skills and credibility to communicate effectively, adapt to unforeseen changes, and conform to cultural gaps. The reason to offshore should be communicated simply and frequently. Projects should begin with an organizational readiness assessment done collaboratively along with unit managers to anticipate gaps and possible solutions. Implementation brings another set of challenges as strategic intent turns into action and directly impacts employees. The contribution of employees should be rewarded and milestones celebrated. The services globalization initiative has to be results oriented. Executives should ensure that all activities lead to the desirable results and hence define the roles and responsibilities in a manner that there is complete accountability at every stage of the offshoring initiative.

Services globalization is an evolution, like any other development, that should be embraced as an opportunity. With that attitude, it will soon become a part of an organization’s DNA that is looking to grow, improve processes and increase the value for their shareholders.
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More information about the offshore outsourcing industry can be found within neoIT’s research center at www.neoOffshore.com. For more details about neoIT’s offshore advisory and management services, please contact:

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