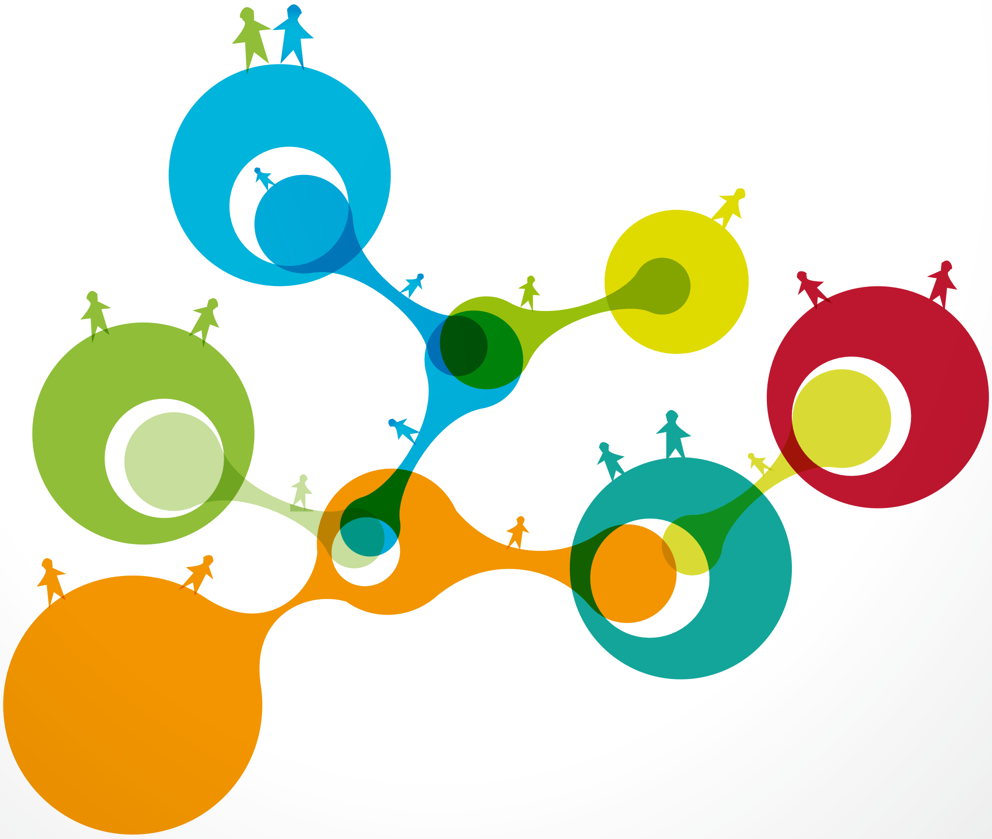
SUMMARY REPORT

PES NETWORK SEMINAR: CHANGE MANAGEMENT AND CONTINUOUS IMPROVEMENT



DECEMBER 2016

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SUMMARY REPORT

PES NETWORK SEMINAR: CHANGE MANAGEMENT AND CONTINUOUS IMPROVEMENT

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DECEMBER 2016

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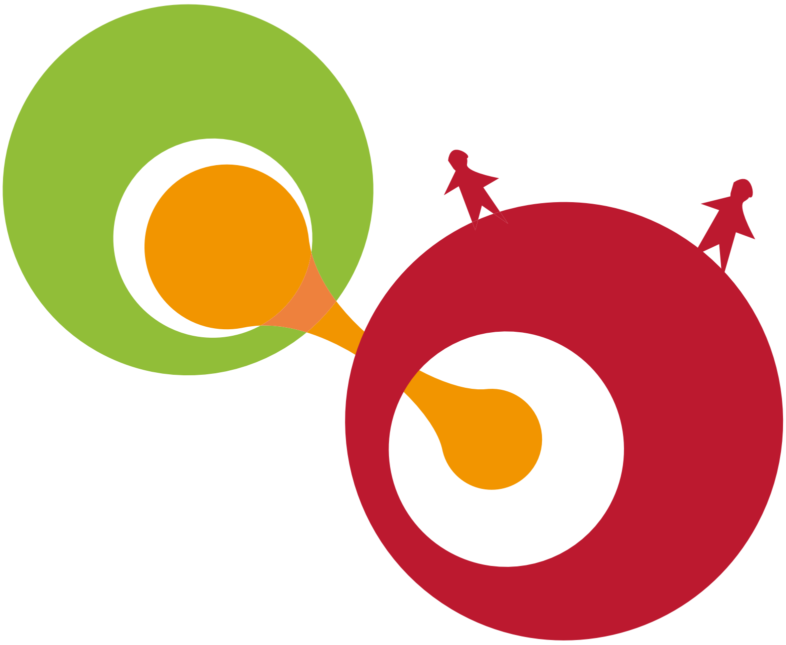

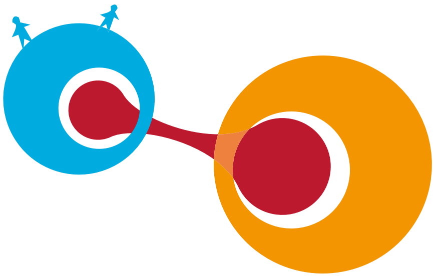

1. Introduction

Public employment services (PES) are important actors in the economy because of the pivotal role they play in supporting employment and economic inclusion. For PES to be efficient and effective they need to react quickly to changing employment landscapes. Having the right change management approaches in place to enable this is crucial because it helps to create environments that equip employees with a shared understanding of i) why change is needed and ii) where the PES is going. Change can then be integrated into organisational practices as a continuous, evolving response at the centre of the PES, which helps them to become flexible 'learning' organisations.

It is in this context that the PES Network Seminar 'Change Management and Continuous Improvement' took place on 4 October 2016 in Brussels. This event built on discussions from a first PES Network Seminar on Change Management, which took place in January 2016. As such, it provided PES with an opportunity to further explore the drivers of change, ways of overcoming barriers to change, staff as 'change agents', empowerment of middle managers, and how PES can move towards a culture of continuous improvement and become 'learning organisations'.

The seminar put forward the following questions to PES participants:

- What has created a momentum of change in your organisation?
- Do you empower and trust your middle managers, and encourage innovation to find solutions? How can you do this better?
- What are the challenges in moving towards a learning organisation and why? What is the role of leadership?
- What are the administrative / institutional issues that should be considered when embarking upon a change programme?
- How do you encourage and inspire staff to provide relevant input and ideas on developing and improving processes and services (with a view to enhancing performance)?
- How do you involve staff and managers in the process of delivering change?
- What, if any, training is required to enable staff to make positive contributions to change processes?

This report summarises the main conclusions from the seminar, structured around three thematic areas: 1) the drivers for change and how PES can overcome barriers to change; 2) placing staff and managers at the centre of the change agenda; and 3) continuous improvement and how PES can move from introducing one-off changes to becoming learning organisations. The report concludes by highlighting future learning opportunities.

2. Drivers for change and overcoming barriers to change

PES are seldom the primary instigators of their own change. Due to their governance structures, they often implement or manage change that is coming from outside their organisation or their control, often under time pressure. In most instances, the source of such 'external' changes are political decisions or other policymakers, mostly responding to regulatory changes or external events. The following points emerged from group discussions during the seminar.

Change vs transformation

Change is rarely simple, nor does it typically happen in a linear form. Instead, change can be understood as a 'chain' and, within each link, deviations can take place.

In 'traditional' change scenarios, change is initiated and communicated from the top of the 'chain' – for example, from senior management. This approach lends authority to the proposed activity, however the idea can be understood differently as it passes down the hierarchical line (which may alter its original meaning). In addition, people at the bottom of the chain may have ideas about how a process or an activity can be improved. But in a top-down scenario, these improvements may not necessarily be considered or incorporated.

It is therefore important to remember that change is best looked at as a two-way process – it can happen bottom-up and top-down within a PES. It is also important to recognise that procedural change and cultural change are very different. Procedural change relates to changing how an action is undertaken, whereas cultural change concerns the behaviours of individuals and thus organisational dynamics as a whole.

Based on recent experience, the Danish PES observed that it is far more challenging to bring about a transformation in PES, rather than instigating a one-off change or a series of isolated changes. A transformation goes much deeper into the organisation and addresses both procedural and cultural issues. It goes beyond individual *actions* and underpins changes in the mind-set of *individuals* and, in some instances, the vision of the PES leadership and the organisation itself.

Having a clear vision for the PES is important as this helps employees to understand where the change process is heading, the significance of their actions and how they contribute to the bigger picture. The vision has to be developed together with employees for it to be accepted, implemented and achieved. The general approach to change needs to be consistent with the PES's overall vision to ensure that it is seen as something worthwhile. However, there is a fine balance to strike between explaining the need for change (whether explicit or implicit) and placing too much pressure on teams and individuals to change – if a balance is not struck, there is a risk of negativity and resistance. Too much pressure can set individuals up to fail, especially if they are not adequately equipped or do not feel adequately informed about how they can support and implement the change.

Resistance to change and how to overcome it

Resistance to change can come in different forms, from different parties and at different times during the change process. The seminar focused particularly on resistance to change arising from the rigidity of PES systems and frameworks, as well as attitudes of PES employees, either individually or in groups. A key observation is that it is not just people who resist change.

Structures, systems, procedures and legal frameworks often slow down the pace of change, and in some instances, may even restrict the scope of the intended change. Systems and frameworks are designed to stabilise organisations and their development irrespective of the wider environment. However, this may not facilitate the scale, scope, and pace of change required for PES to keep up with wider societal and economic developments and the speed of change of other linked organisations. Many forward-facing organisations, for example those in the IT and social media sector, are now considering change from a bottom-up, implementation perspective and are moving away from the more 'traditional', top-down approach. This allows them to see what is working, what is not working and why *from a users' point of view* and then integrate changes more quickly – rather than looking at senior managers to introduce change and for that change process to slowly trickle down to the frontline.

Creating momentum in the sense of an invisible 'force' that keeps events moving forward is important, and which can take place through a collaborative approach to implementing change. For example, active collaboration between senior managers (or dedicated change units within the PES) and the wider employee population on building an IT solution, is a participative and co-creative approach that helps employees take *ownership* of the change that will ensue from this IT tool.

Negative attitudes of PES employees – both as individuals and in teams – can also be a barrier to change and slow down the process of implementation. While it is understood that planning for change is important, it is equally, if not more important, to have the right attitude and support from staff. Having the will to change and the willingness to do something *different* arguably makes the change process much easier. Often individuals embrace the concept of change, but find the application of that change hard to accept because they realise that something must be done differently. Where individuals have a 'burning desire' and the will to change, they are therefore more likely to be agile and flexible throughout the change process.

Finally, in some cases, '*group think*'[1] can occur and lead to changes not being viewed in a positive light despite a wider PES vision. This can, for example, apply when change relies on changing the mind-sets and thinking processes of a specific group of staff entirely. Having change that is based on evidence and data helps to convince resistant groups and mitigates against 'group think' mentalities more generally.

The Danish PES uses 'change process implementation circle' to overcome resistance to change. The principle of this circle is that, regardless of the change imperative, the PES uses the same four stages to roll out change:

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[1] Group think is a psychological phenomenon whereby a group's desire for conformity results in irrational, or poorly-thought through, decision making process. The group avoids raising controversial issues, does not critically evaluation other view points and individual's do not put forward their independent thoughts.

1. Exploration and preparation – different departments (e.g. IT, legal) meet to discuss what is possible, undertake a risk analysis and develop a list of feasible actions.

2. Planning of change – workshops take place with staff and their feedback is incorporated into the next steps.

3. Initial implementation – implementation takes places in ‘waves’; those more willing and able to change are identified as ‘front runners’ and used to champion the change by showing results and helping to motivate others in later waves.

4. Final implementation – putting the change into practice, incorporating feedback to refine implementation and results.

Through this process, a clear message is carried from the national level through to PES offices in the municipalities. While targets are set, there is flexibility around the actions that can be taken to achieve them.

Communicate to create buy-in

Communication helps organisations to overcome resistance to change, although it is not always this straightforward. As one PES observed, there are instances where referring to cultural change directly creates more resistance than omitting to refer to it entirely.

Different *channels* can be used to communicate with PES employees about change and the change process. Whatever the mode of communication, the information flow should be well timed and it should use language that can be understood at all levels of the organisation. Moreover, for PES to get the message across to their staff, they must vary the information channels over time, and use a variety of mechanisms to cascade the information (for example, via email, face-to-face in team meetings and so on). PES should not be afraid to repeat the same messages if needed, and explain the rationale for change in tailored ways for each level and group of employees.

Getting representatives of the employee body onboard is helpful to gain buy-in from the wider staff. Such individuals can be seen as ‘change champions’ and be used as vehicles to encourage individuals to get on board the change that is proposed. Where this approach is taken, it is important to listen to these individuals and the concerns they raise, as they may echo other employees’ thoughts.

Regular communication is important, with managers playing an important role in leading by example. This helps to re-iterate the key messages and influence attitudes towards proposed changes. It can also help to involve employees in a constructive *dialogue* about the changes and their implications on their day-to-day work.

In addition, *system-level thinking* helps to consider change ‘as a whole’, for example as part of a wider policy approach or a wider societal change imperative. This includes, where possible, engaging in a dialogue with stakeholders to inform them of the change, gather their views and inform them of the implications. This process can be supported by data to strengthen the argument for change.

3. Staff and managers at the centre of the change agenda

Having (or not having) buy-in from PES staff and managers into the change agenda can affect its success. It is therefore important that staff are engaged and, where possible, *involved* in the change process. Such an approach turns staff from passive, ‘recipients’ of change into dynamic change ‘agents’ who are positively engaged and encourage others.

Engaging staff in change and the design of change processes

Staff who are ‘engaged’ can feel a greater sense of responsibility, confidence, motivation and understanding towards the change process. It provides staff with an opportunity to *influence* their workplace and in some cases, the practices that they or their colleagues will be working on in the future. Giving staff greater *knowledge* of the change implications and giving staff a *role* in the change process is an investment for the PES, because it equips staff to implement change (that is understood) more quickly and effectively. Norway equips their staff in such a way by training ‘change agents’ who are then at the forefront of implementing and taking forward change in the PES.

However, engaging staff in change and the design of that change brings its own set of *challenges*.

Staff often have high workloads and therefore have limited time to be involved in a change process, or be as creative as they would like to in suggesting new ideas. For some, it is difficult to envisage new ideas when these are viewed in light of their ability to contribute to wider organisational goals (when mind-sets are tied to key performance indicator). For others, the ideas that are generated may not consider the wider context, strategy and other organisational developments.

Some PES have devised *mechanisms* to engage their staff in the design and the process of change. For example, the French PES uses virtual platforms, such as *Le Lab*, to create innovative, collaborative environments for staff to suggest, develop and evaluate new ideas. The *Le Lab* platform was created and managed by the PES's dedicated Innovation Unit and is therefore an in-house product. A key feature of the platform is that it does not differentiate who proposes an idea; all ideas are scored by other PES staff, using the same evaluation framework. All PES staff can access *Le Lab* at any time to propose an idea or evaluate an idea. To date approximately two-thirds of PES staff have been involved in this process – from idea generation, through to evaluating and consulting on ideas. Those that suggest ideas receive awards which recognise their contributions to the organisation and motivates them to stay involved in the change process.

Empowering managers to take a critical role in the change process

Middle managers can play an important role in the change process as they are an important *link in the chain* between leadership/senior management teams and teams operating 'on the ground'. But for this to happen, senior management must have trust and belief in their middle managers and there must be an investment in their skills to play this role. It is important to remember that, while responsibility can be passed along the change process chain, leaders will ultimately remain accountable for the change.

In order to empower middle managers, *training* is often a central element. Some PES offer formal training support, while others offer mixed approaches of on-the-job training along with training services offered by external consultants. To that effect, the French PES established a 'University of Management' in 2014. The six-month training programme it offers uses mixed methods to upskill PES managers. It is integrated into the wider training system of the PES and it has been offered to all 6,000 PES managers to date. The aim of the programme is to deepen an individual's understanding of management, strengthen a 'community of managers' and promote a shared culture. From a policy perspective, it creates cohesion, helps to drive change and increases efficiency of PES operations because it helps all managers to be aware of the key priorities of the PES and equips them to lead their teams in achieving their targets. To date, the PES finds that the University of Management has helped to create an internal network of change agents and helped to influence the attitudes of managers within the organisation – which in turn supports changing the attitudes of all staff.

In developing training programme, the input from *academics* and the university sector has been useful for some PES, helping them to gain an expert viewpoint on change management theory and management in general. However, thought is needed to ensure that the knowledge on offer from academics retains a *practical* focus so that it can be further discussed, tailored and possibly implemented to the PES' specific context. To that effect, some PES have found working with *private sector* organisations more helpful to inform change and future PES practices. For example, the German PES established a partnership with the Lufthansa airline to look at and share practical insights on management and managing change. The airline was a good comparator for the PES in respect of scale, reach and focus on customers. Finally, for PES not wishing to rely on specific training organisations or fund formal inputs from universities, middle managers can be supported and equipped in other ways. For instance, enhancing and amending the strategic objectives and philosophies of a PES can give individual staff members more responsibility and place more trust in their role. This is exemplified by the Swedish PES which has developed the concept of 'self-leadership.' The PES introduced this concept as part of its new strategic objectives, built around three core values: professional, inspiring and reassuring. The PES management philosophy views self-leadership as an important tool that helps individuals to find their *own* motivation and responsibility. A maximum degree of freedom is provided to staff at all levels, based on the belief that staff are competent, motivated individuals. In this instance, managers are also provided with support from an external consultancy, together with on-the-job training.

4. Continuous improvement – moving from introducing change to become learning organisations

Learning organisations have continual change and improvement at the centre of their ethos. Characteristics of these organisations include having a shared vision, focusing on the continuum of improvement, and empowering employees. These elements help organisations to move forward and adapt to the world around them. Discussions in the seminar explored the experiences and challenges of becoming a learning organisation, how a culture of change can be introduced into PES, and the administrative or institutional factors that need to be considered in this context.

Experiences, challenges and the ingredients for becoming a learning organisation

Becoming a learning organisation often emerges from a number of changes and transformations that encourage a PES to shift its way of thinking and become more efficient – which can take time. However, small incremental improvements are helpful in moving a PES towards organisational learning, in the context of an agreed overall strategy. Such improvements can slowly increase over time and help to overcome – little by little – resistance to change.

A number of PES source and encourage ideas from *outside* of their senior leadership teams. This can come from PES employees or from outside of the organisation. Indeed, some PES have adopted a co-creative or co-collaborative approach with customers on the basis that they can offer useful insights and creative solutions (particularly in the field of IT) to help design more effective PES services. For example, the Belgian-Flemish PES has a number of co-creative projects in place, such as working with young IT graduates to further enhance the PES' IT-based service offer. The German PES has also established an open-innovation platform for customers, where they can receive a cash incentive for good ideas. While it takes time to determine which ideas are worthwhile, it is a useful tool to encourage the organisation itself and its' employees to continuously improve.

Testing and piloting new approaches or initiatives before they are rolled-out is a fairly well established approach in most PES. Testing and piloting offers the advantage of shedding light on specific technical issues and gaining feedback from users, which can be incorporated into the next stage of action/implementation. However, pilots do not necessarily lead to greater ownership by PES staff by the time initiatives are fully rolled out. As part of a learning organisation approach, a way of addressing this is to disseminate the lessons and the evidence from pilots across the PES on a regular basis. This helps employees to understand the rationale and the benefits behind the changes, and even make informed decisions about how it can be best deployed in their locality. This approach has been successfully applied in Norway and the Netherlands. The Dutch PES uses the concept of 'front runners' to adapt and deliver new services. In each of their 11 districts, one PES office is identified as a 'front runner' and therefore provided with extra funding to deliver new services.

Finally, peer-to-peer learning and improvement scorecards have been used in some PES to foster continuous improvements:

- Peer-to-peer learning enables two people of a similar status (for example, two PES counsellors) to learn from each other without any implied authority, and the process of explaining ideas and practices to each other is deemed to be a valuable learning opportunity for both parties.
- Scorecards are used by some PES to demonstrate and monitor performance of individuals and the organisation as a whole (if used as part of a wider strategic management system), and to look at the consequences of such performances. The results can feed back to senior management in order to consider the results and make any necessary changes.

Introducing a culture of change

A culture of change creates the *conditions* for employees to be forward-thinking and see change as an evolving, on-going process. Small, steps towards creating this type of culture should not be overlooked as the collection of many small changes can form the basis of sustainable incremental improvements in the right positive environment.

For innovation and change to flourish within an organisation, it needs to be at the heart of the *long-term vision* and ambitions for the organisation. For example, the Belgian-Flemish PES has three overall ambitions for the organisation: to be an innovative network conductor; to be an excellent service provider; and lastly, to be a strong brand within the Belgian-Flemish labour market. The strategic planning of programmes and projects are consistently aligned to one of these three ambitions, thus innovation and change is at the heart of the PES' work.

However, it is widely acknowledged that introducing a culture of change takes time. As a guiding principle, it is important to stay disciplined and persevere as change won't happen straight away. In particular, those pushing for change need to reinforce their messages and encourage positive behaviours from teams and individuals. Such reinforcement helps to underline behaviours that are *desirable* and can be built upon (leading by example). In addition, a culture of change emerges "where there is will, and if there is critical mass", meaning that a large number of people are involved in the change process and share a desire to change. Within the mass, each person can then be viewed as a 'vehicle and agent for change', responsible for disseminating positive messages and a belief in the change process. Individual conviction can also help PES staff to learn from themselves, which is a key aspect of a successful learning process.

Administrative and institutional issues to consider

Finally, administrative and institutional issues need to be taken into consideration before any change can be implemented. Existing laws and rigid governance structures can do two things: i) they force change to be tailored differently, and/or ii) they delay the change in time.

From an administrative angle, IT systems can be a positive enabler to change as they provide data sets that identify and help to understand customer behaviours, and thereby provide an evidence base to decide where service improvements need to be made. However, the use of IT systems throws up questions of data ownership and boundaries for data sharing, which is a limiting factor for most PES. While in Denmark, the PES has central ownership of all data produced by the municipalities and local offices and an online platform was created to share this data internally, this is not legally possible in other national settings.

From an institutional angle, flexibility may not be part of the local culture in some PES. It is difficult to tell people and managers at the local level to undertake and implement change, while staying flexible and open to failure. How senior management communicates that message is critical, and flexibility should also be balanced with *stability* in the change proposed. There are methods that help to consider how flexible and adaptable the desired change is to evolving events (insider and outside of the PES), and how the intended change is future-proofed to ensure that it will not become obsolete in the short-term. *Constant* change is not *continuous* change, and change fatigue does not support organisational learning. There are inevitable tensions between the time and patience it takes to ensure that a change is correctly implemented and the external pressures that PES are facing to change more quickly. But it is worth clarifying the stability brought about by the change proposed and fostering the flexibility required for its implementation.

5. Future learning opportunities

PES participants identified the following topics and activities as potential follow-up from the seminar:

Follow-up topics of interest to PES:

- Empowering middle managers – what techniques are useful to empower middle managers? What are the key ingredients to successfully coaching middle managers?
- Resistance to change – how can PES find 'hidden' resistance to change within teams? What approaches can PES use to overcome this?
- Digital transformation – What is the impact of digital transformation of PES services on counsellors? How can PES support their workforce through future changes?
- How can frontline PES counsellors become 'change agents'?

Activities that would help further the learning for PES:

- A small learning activity (including peer learning or coaching between PES) that explores the detail and practical implementation of the examples presented at the seminar.
- Smaller groups of PES visiting each other to learn more about well-developed approaches (such as online portals).

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