Managing Change in the Digital Era:
Five Lessons for Leaders

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The workplace has entered a period of profound change, driven by digital transformation including the implementation of artificial intelligence (AI), arguably on a scale unlike anything seen before. A study by Dale Carnegie Training found that 67% of employees say they are already being impacted by AI in their roles or expect to be within the next five years.[1] The power of AI is being applied across nearly every industry, bringing disruption and intense pressure to change — for organizations and employees alike.

Change management — a systematic approach to the transformation of goals, processes and technologies — has become more critical than ever to successful leadership. And while the goals of change management remain constant — creating confident, positive and optimistic stakeholders with the skills and commitment to ensure new initiatives succeed — the view of change itself has shifted.

In the past, leaders typically created the top-down change plan, explained why it was necessary and, often, handed off the roll out. Training came later. Supervisors were expected to pull through the desired behaviors. Change initiatives were driven by external events and were something that interrupted the regular work.

Increasingly today, change IS the regular work, with organizations aspiring to agility — a state of constant readiness to respond to new information about changing customer requirements, regulation and the competition. One study suggests that most employees are involved in three or more concurrent change initiatives at any given time.[2]

Dale Carnegie Training recently conducted in-depth interviews with five companies deploying AI, bringing to light important lessons and considerations about what influences success and creates change advocates who can help drive the implementation of technology. These lessons demonstrate that the nature of today's dynamic workplace requires both traditional and innovative approaches to achieve successful change implementation in the digital era.[3]

Lesson 1: Transparency from the beginning is essential.

AI in the workplace can be a sensitive subject. It's a powerful tool that often results in significant impact on work roles and increases peoples' feelings of insecurity.

Recognizing the negative impact that fear has on productivity, leaders may be tempted to develop plans in secret and conceal the effect and scope of AI until the implementation is well underway.

But excluding employees is a big mistake. Today companies must recognize and value customers and employees as change partners and understand the importance of involving people in designing plans from the beginning. In addition, deep institutional knowledge of the tasks to be automated is often essential for training AI, and it can be challenging to get that from employees without being upfront about the reasons behind it.

> *"It's been difficult to get people to buy into the AI deployment. The trust was just not there. Providing transparency… up front would've been paramount, I think, in this one. But it didn't happen at all. And it was a huge mistake. I think the biggest lesson we learned is the quicker that you engage the people who are going to be affected by this the most, ultimately the better off you're going to be."*
>
> — Managing Director
> for a budget U.S. air carrier

[1] Survey of 3586 full-time employees across 11 countries conducted by Dale Carnegie Training, 2019.

[2] Gerschel, A., & Polsky, L. (2013). *Rapid Retooling: Developing World-class Organizations in a Rapidly Changing World.* Alexandria, VA: ASTD Press.

[3] From April-May 2019, in partnership with ENGINE, Dale Carnegie Training conducted in-depth interviews with subject matter experts recently or currently deploying AI at a large online U.S. bank, a large Midwestern manufacturer, a Fortune 500 financial services provider, a low-budget U.S. air carrier and an elite Swiss hospitality school.

Perhaps most of all, organizations must be transparent about their plans for implementing AI, because the risk of damaging trust with employees is too great.

A budget U.S. air carrier fell into that trap as they worked to automate their booking and pricing models, which had traditionally been performed manually by pricing analysts.

The first phase of the project involved training an AI model using unsupervised machine learning to extract business rules and combining it with insights from human pricing analysts to generate a model that could replicate what had historically been done to optimize pricing. Initially, management didn't disclose to the pricing analysts that the work was tied to an eventual AI deployment and a possible reduction in headcount in their area. Instead, they said that the process documentation was to help train new pricing analysts, given the high turnover rate for the position.

Maintaining secrecy meant that they couldn't start training employees for new roles without arousing suspicion. When they finally did inform employees, trust was severely damaged. The result: disaffected employees who weren't yet ready to perform new tasks — despite the company's good intentions of helping them gain additional skills in data science and programming.

To avoid that kind of outcome, leaders must be transparent, willing and skilled at engaging the people who are going to be affected, with the goal of helping them see how they can fit into plans for the future.

> *"It is just part of my DNA to want to be transparent and communicate and talk openly with my colleagues. So I think what I did well was exactly that: having the dialogue and ensuring that people didn't feel unheard or turn negative."*
>
> – Executive Director, Infrastructure Operations for a large online bank

Lesson 2: Top executives need to be involved from the beginning in technology-related change initiatives — whether they like it or not.

There was a time when a technology-focused project could be delegated to the IT department and even remain poorly understood by top executives upon implementation, so long as it all worked as planned. Those at the top of the organizational hierarchy often stayed aloof. They didn't see themselves as needing to be part of the change — certainly not when it came to technology, an area where many executives lack deep expertise.

No more. Now, technology is often inextricably intertwined with customers' experiences with a product or service. Technology projects, therefore, sometimes involve critical strategic decisions and may require the assistance of top leaders to align the broader organization and enable implementation.

> *"What I found worked for us was making sure that questions came from not just developers or the workers impacted by the machine learning algorithm, but also from leadership."*
>
> – Digital Project Manager for a Fortune 500 financial services group

A Fortune 500 diversified financial services group that wanted to improve the functionality of their website's search bar tool through the application of machine learning recognized the importance of involving senior leaders from the start.

Early in the process, the Digital Product Manager brought together those whose roles would be affected and the company's leaders so that both sides could ask questions and raise concerns in a transparent manner, gaining an understanding of the end goal of the machine learning deployment. Involving these key participants from the beginning helped the project avoid trouble on at least two fronts.

First, the AI development team did not realize at the start that the search tool functionality lived between as many as three different teams across the organization. Had they not learned that early on, it could have been difficult to effectively gather the institutional knowledge they needed to train the AI.

Second, the Digital Product Manager and her team could not foresee the delays and frustration that would be caused by the organization's compliance personnel. Indeed, compliance roadblocks began to hamper the wider adoption of AI technology to solve and automate processes across the organization. Without support from top executives in forging ahead, it could have meant an end to their project.

> *"Having that buy-in to have senior leaders push [adoption of AI tools and technologies] across the wider organization seems to be the key."*
> – Vice President
> for a Midwest manufacturer

Getting senior leaders on board early and keeping them visibly involved throughout technological change initiatives helps ensure projects stay aligned to the broader strategy of the organization and creates a ready source of executive-level assistance in removing any barriers to successful implementation that may surface.

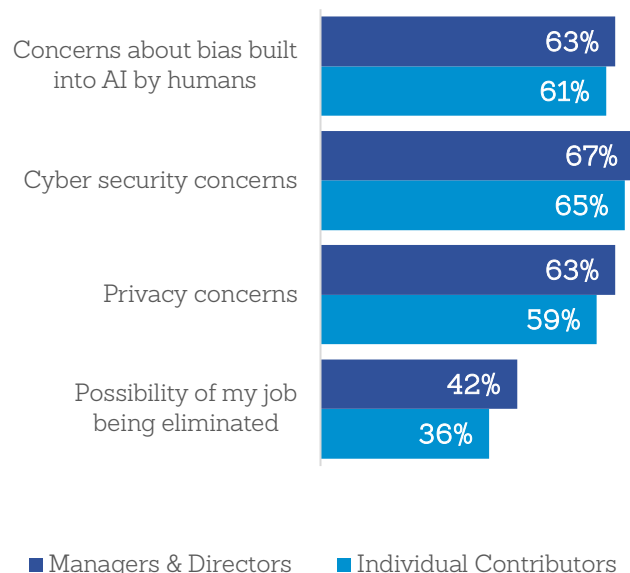**Lesson 3: Don't assume managers will jump on board.**

As research has shown, supervisory support has a strong positive effect on change outcomes.[4] The involvement of mid-level and front-line management is critical: they are responsible for creating a psychologically safe environments for learning during change, building confidence, setting goals, praising early wins, providing feedback and making employees feel valued and appreciated. Their attitudes toward change can positively influence those they lead, but for that to happen, these leaders need to be convinced of the value of the technology and its application.

The problem? When it comes to advanced technologies such as AI, these mid-level leaders have the same fears as others. As shown in the graph, many are at least moderately worried that AI could lead to their own job being eliminated, and they share the same privacy, security and bias concerns as employees without direct reports.

Where there is fear, there's bound to be resistance to change. Fear drives short-term thinking and, in many situations, fear causes people to become rigid and less creative, reduces collaboration and leads to burnout.[5] Clearly, none of those are desirable outcomes for a change initiative.

A world-renowned Swiss-based hospitality school experienced the impact of fear firsthand. As the CIO and her team worked to implement a set of AI projects in support of students, it was the staff and faculty who pushed back. As she presented the results

Even Leaders Have Concerns about AI
(% who are at least "moderately concerned")

Concern	Managers & Directors	Individual Contributors
Concerns about bias built into AI by humans	63%	61%
Cyber security concerns	67%	65%
Privacy concerns	63%	59%
Possibility of my job being eliminated	42%	36%

■ Managers & Directors   ■ Individual Contributors

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[4] Ten Have, S., Ten Have, W., Huijsmans, A.-B., & Otto, M. (2017). *Reconsidering change management: applying evidence-based insights in change management practice.* New York, NY: Routledge.

[5] Does Fear Motivate Workers — or Make Things Worse? *Knowledge@Wharton* (2018, December 04). Retrieved from https://knowledge.wharton.upenn.edu/article/fear-motivate-workers-make-things-worse/

from their successful proof-of-concept pilot project that demonstrated the AI-based approach would work, she was faced with serious resistance. It first appeared that the staff was simply reticent about moving away from the old way of doing things, but dialogue revealed their initial reaction was actually rooted in concerns about eventual job loss.

"The biggest problem I had was turning around management. These were peers who had a certain mindset about how things ought to be done and were extremely agitated and uncomfortable with where we were going because they didn't understand it. We were changing the landscape in their little domain, and they weren't sure if that's the way that they wanted to go, because [they felt] we were taking away some of their power or demystifying their job processes."

– CIO for a Swiss hospitality school

Those fears must be effectively addressed to get leaders on board; people will sense it if leaders aren't fully committed. The key is having the skills to facilitate honest dialogue with genuine empathy to get to the root of the fear:

- Is it fear that the AI won't work? Starting with small, low-risk "back-end" projects can help wake up an organization to the power of AI-enabled tools and speed adoption.

- Is it a fear of diminishing influence? Consider the change from the point of view of those affected. If it has the potential to reduce their influence within the organization or puts them in a new arena where they may be less comfortable, address those issues.

- If it's a fear of job loss, address that too. Be open about what the AI is and isn't intended to do, the expected impact and plans for reskilling or reassigning employees affected. That leads directly to the next lesson.

Lesson 4: Don't wait to begin training employees.

One of the biggest challenges to implementing AI is finding people with the right skills. While in a survey of CEOs by PwC more than three quarters (76%) were concerned about the lack of digital skills, even more — 91% — said that they needed to strengthen their organization's soft skills.[6] Accenture agrees, citing skills such as creativity, teamwork and empathy as crucial — along with technical skills.[7] Globally, 46% of CEOs say their organization is primarily relying on significant retraining and upskilling — rather than hiring from competitors or outside the industry — to close the gap. That will require organizations to assess for needed skills in a systematic way and plan ahead to ensure the talent is ready to perform.[8]

As a large online bank in the U.S. discovered, regardless of which skills require development, preparing people to take on new responsibilities should be built into the change initiative from the start.

The bank has explored AI-based solutions over the past several years, seeking to introduce human-like experiences as customers interact with their financial service organization online and providing a conversational experience that both feels natural and aligns with bank's brand identity and voice.

"The idea of reskilling employees is that, if you never start, you will never know what skills they are really going to need. So, you are doing a disservice to your organization by waiting," says their Executive Director for Infrastructure Operations.

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[6] *21st CEO Survey: The Talent Challenge: Rebalancing Skills for the Digital Age.* PwC, 2018, www.pwc.com/gx/en/ceo-survey/2018/deep-dives/pwc-ceo-survey-talent.pdf.

[7] Khan, N., & Forshaw, T. (2017). New Skills Now: Inclusion in the digital economy. Retrieved from https://www.accenture.com/t20171012t025413z__w__/in-en/_acnmedia/pdf-62/accenture-new-skills-now-report.pdf

[8] *22nd Annual Global CEO Survey: CEOs' Curbed Confidence Spells Caution.* PwC, 2019, www.pwc.com/gx/en/ceo-survey/2019/report/pwc-22nd-annual-global-ceo-survey.pdf.

Proactively planning to provide training in parallel to each step of the deployment was also a major factor in the success of an AI project at a midwestern manufacturer. The Vice President and the AI deployment team made efforts to communicate that nobody was going to be "left out in the cold" by not receiving training or being given something new that they could not handle.

This is important, since a lack of confidence is a common reason people resist change. Removing uncertainty and putting people to work learning the skills they will need for the future is a good way to get people on board. As Dale Carnegie himself said, "Inaction breeds doubt and fear. Action breeds confidence and courage." Organizations that integrate training plans from the beginning help build employees' confidence that they'll be able to adapt to the expected changes and reduce their resistance to the change.

Lesson 5: Leverage informal advocates.

While leaders have their formal role to play, informal advocates can also have a powerful effect on how quickly change happens.[9] Leveraging the social influence of those who embrace the idea first can help build momentum. Companies earn the right to do that by protecting trust, being transparent and demonstrating a commitment to training people for the future.

"[Someone has] to continually fine-tune it as the variables and the processes change. And although they may not have that skill set [now], we are going to help train them."

– Managing Director for a budget U.S. air carrier

"[Once we had a clear understanding of who would be affected], we did the right thing and upskilled people who needed new skills and moved people that needed to be moved."

– Digital Project Manager for a Fortune 500 financial services group

Informal advocates are people who already have trusting relationships with others and who have a positive attitude toward the change. Organizations can train the interpersonal skills to encourage trusting relationships among their workforce. They also control whether they initiate change in a way that garners the maximum initial support. But they can't designate informal change advocates. They can, however, support informal advocates and magnify their influence:

- Identify employees who have informal influence.
- Communicate to keep them well-informed so that they have the facts when talking with their peers.
- Give them a chance to spread their positive influence by inviting them to do more cross-functional work.

As companies look for additional areas to deploy AI across their organizations, these informal advocates can also be invited to serve on committees or teams identifying and working on future projects, bringing their experience and conviction from earlier deployments to new areas. This is also an excellent way to provide these valuable employees with increased visibility and opportunities for career growth.

"Coming out of the initial pilot programs…the school has now created a dedicated Centre of Excellence team focused on exploring further [AI-related] capabilities, comprised of five permanent and two rotating team members."

– CIO for a Swiss hospitality school

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[9] Katzenbach, J. R., & Khan, Z. (2010, April 6). Positive Peer Pressure: A Powerful Ally to Change. Retrieved from https://hbr.org/2010/04/positive-peer-pressure-a-power

The Bottom Line

While much of the classic change management wisdom remains valid, the accelerated pace and purpose of change, along with people's emotional response to technological advances (especially AI) has added complexity to the challenge for leaders.

For most, the real goal is no longer to get through the next change initiative, but rather to develop an agile and resilient workforce ready and equipped to embrace change with confidence and a positive attitude. Transparency, involvement of leaders at all levels, proactive training for impacted employees and support for informal advocates are all important considerations for achieving the full potential of today's technology – which depends on a successful partnership between humans and machines.

To learn more about how Dale Carnegie Training can help your organization manage change more effectively in the digital era, contact your local Dale Carnegie office today. Please go to: dalecarnegie.com/office

About the Author:

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