Today’s CFOs are increasingly required to partner with CEOs to drive transformations in their organizations. Indeed, our North American CFO Signals survey finds on average CFOs aspire to spend about 60% of their time as a catalyst for change and a strategist in their organizations. Yet, based on more than 100 CFO Transition Labs, we find many CFOs who aspire to the catalyst role are often ill equipped to go beyond the numbers and effectively drive organization-wide change that improves future company performance. This issue of CFO Insights examines sources of resistance to change and provides some practical tools for CFOs to diagnose and navigate change efforts more effectively. In addition, we clarify how CFOs may effectively support and influence change in their organizations.

Triggers of resistance
Whenever a change initiative is announced, there is invariably resistance. It is change, after all. That resistance typically falls into one of the following three categories, each of which may be diffused by proper information, process and work design, and high-level sponsorship:

1. More work; no payoffs. A key type of change that invites resistance is one that creates new work without payoffs for those doing the work. The most common manifestation is when a group level CFO or controller asks for new information from a division or business unit CFO without accounting for the extra work demanded of that unit. If the business unit CFO and CEO do not value the information requested, it is very likely the request will be resisted, slowed, or done in an ad hoc or untimely way. Avoiding this form of resistance requires consideration for the extra effort required at the business unit level and perhaps reducing other demands on that unit to free up resources to gather and provide the information to the group level. For CFOs to diagnose potential resistance from added work, they need to undertake a process-stakeholder analysis, which will diagnose how new processes impact the work effort of different stakeholders.

2. New roles; less satisfaction. Another trigger for resistance arises when work roles are transformed, leading to less satisfaction or a change in worker status. For example, many CFOs look to create savings in finance by implementing a shared-services solution. While moving key staff from multiple locations to a centralized shared-services center may immediately appear to reduce costs, the real outcome could be reduced client satisfaction and increased turnover — undermining the cost saving benefits. When jobs and the location of jobs are redefined through a shared services initiative, the satisfaction of existing workers may be reduced. They may have less connection with their local clients and less of a sense of being appreciated and valued by the finance function. These changes may engender resistance to change or reductions in productivity, undermining change efforts. The risk of adverse impacts can be mitigated through careful consideration for the “socio-technical systems” prevalent in a company. To manage change, CFOs should consider the social status and other social satisfaction impacts of work redefinition in a change effort.
3. More transparency; less power. The third rail of resistance arises from change that may impact power relationships in an organization. For example, when the group level CFO seeks greater transparency into the business units and their work-in-process inventories, it may reveal information that dramatically alters the power between the center and business units. The information the group CFO gathers may reveal the shortcomings of the business unit CEO and undermine his or her power and influence in the overall group. Thus, requests for information to the center that undermines local autonomy and power is likely to be resisted. To overcome resistance to changes in power, it is likely the CFO will have to accumulate his or her own power or have the power of the group CEO behind changes in information flows that change the distribution of power in the organization.

These three types of resistance can generally be diagnosed in advance and mitigated by careful process design, work design, and re-organization of information flows with the support of powerful sponsors such as the CEO. In contrast, the change we see most CFOs stumped by is cultural change – diagnosing and altering the underlying pattern of beliefs and assumptions in the organization. This requires a different level of change management.

Culture conundrums: Beliefs and behaviors

Culture is defined as the “shared beliefs and assumptions underlying an organization.” Thus, changing culture requires change at the belief level, which is often substantially more difficult than process or information systems change. To complicate matters, CFOs have much less authority for culture change. While CEOs have the authority to drive cultural change across a company, typically CFOs can only be supportive of a CEO’s company-wide culture change efforts or are limited in scope to drive belief changes in their finance organization.

Still, CFOs can help diagnose dysfunctional cultural attributes and get at the underlying beliefs to help drive culture change. How? Consider that most culture change models build on the three stages: “unfreezing” the beliefs in an organization through critical events, change through role modeling and setting new behaviors and beliefs, and “refreezing” the organization to lock in a new culture (see Lewin-Schein Models). Based on our practical lab experiences, I have adapted these stages into a series of practical steps CFOs can use to diagnose the culture of the organization, reframe and replace the culture and narratives in a company, and reinforce a new belief system to help their CEO establish a new company culture. Each of the four steps is discussed below:

**Diagnose the culture.** The first step is to diagnose and articulate the beliefs underlying the existing culture. To do this, it is useful to have CFOs think through the organizational outcomes they do not like, the behaviors that led to them, and the underlying beliefs driving the behavior. Consider two illustrative examples in the table below. By writing the outcomes or behaviors that frustrate you as a CFO, it is often possible to get at the underlying beliefs more easily.

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Behaviors</th>
<th>Beliefs</th>
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<tbody>
<tr>
<td>Multiple ERP and financial systems across multiple divisions increasing cost and not enabling information sharing</td>
<td>Overt or passive aggressive resistance to efforts to establish shared services; each unit has its own way of doing business</td>
<td>High autonomy for each business unit (“We are special and different.”)</td>
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<tr>
<td>Delays in executing initiatives with respect to the market. Over-engineered and expensive projects; lack of ownership of initiatives</td>
<td>Endless reviews of proposals with multiple sign offs and indecision as risks are weighed</td>
<td>“We have to do everything perfectly right.”</td>
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</table>
**Outcomes**

Faster decision making, less over-engineering of solutions and increased speed to market

**Behaviors**

Critical review of decisions that can create a high adverse impact. Rapid decisions on low adverse impact choices

**Beliefs**

“We have to do some things perfectly right and most things well enough quickly.”
behaviors, and outcomes that do not serve the organization well. They can provide the fact base on outcomes that help CEOs and the leadership create narratives to disaffirm beliefs and evaluate the costs of replacing staff and redirecting the organization. They can also role model desired behaviors, and finance can help create incentive programs to sustain new behaviors. For many CFOs, becoming an effective change partner requires employing fundamentally new skills beyond those that got them to the CFO position. This edition of CFO Insights should provide some first steps to framing more effective approaches to change.

End notes
1 Our 2nd Quarter, 2010 CFO Signals survey found CFOs aspired to spend 29% of their time as a catalyst and 31% of their time as a strategist. See http://www.deloitte.com/view/en_US/us/insights/browse-by-role/Chief-Financial-Officer-CFO/CFO-Signals/b4c0a63d-42f892105/g/n1C100000ba42f00aRCRD.htm.
2 The three types of resistance are well articulated in Markus, M.L., Power, Politics, and MIS Implementation, Communications of the ACM, June 1983; http://dspace.mit.edu/handle/1721.1/48781
3 The Lewin-Schein change model is well discussed in Edgar Schein’s 1995 MIT Working Paper: Kurt Lewin in the classroom, in the field, and in change theory: notes toward a model of managed learning. http://hdl.handle.net/1721.1/2576

Author and Primary Contact
Ajit Kambil
Global Research Director, CFO Program
Deloitte LLP
akambil@deloitte.com

Dr. Kambil led the development of Deloitte’s CFO Transition Labs – a one-day workout that helps CFOs develop their 180-day plan with careful consideration of how they select priorities, organize their talent, and navigate relationships to effectively execute and deliver on key priorities.

Deloitte’s CFO Insights are developed with the guidance of Dr. Ajit Kambil, Global Research Director, Deloitte CFO Program, Deloitte LLP; and Lori Calabro, Senior Manager, CFO Education & Events, Deloitte LLP.

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