Change and Transformation

Why is it different today?

Who Am I?

- Michael Henry
- Born Calgarian
- Manager, Information Services @ ARC Resources Ltd.

Love understanding the connection between technology and business problems

As business and technology standards continue to shift, how do we keep pace with the current rate of change? During these times of transformation, we must address and consider the elements that contribute or hinder a successful journey as an organization. Each individuals and/or teams' opinions, emotions and biases along with corporate culture have to find alignment with new and emerging technologies, implementation strategies, project economics, corporate strategies and change management in order to find the value for your organizations. How can we navigate these elements to be effective?

My Understanding of PIDX

Mission

- PIDX International aims to brin[illegible] th[illegible] entire global [illegible]ndustry together to develop, advance, and opti[illegible] electronic co[illegible]e [illegible]tandards. We are the forum industry experts use to ed[illegible]timize operatio[illegible]s for the electronic marketplace.

Guiding Principles

- Focus on business-oriented objectives
- Enlist the m[illegible]ed people to lead a[illegible] our organization
- Act as an i[illegible]al standards forum
- Broadly and fr[illegible]qu[illegible]ntly communicate with our [illegible]ndustry
- Leverage the work of others where possible
- Recruit and maintain a diverse membership
- Make standards available on an open and royalty free basis

What these words mean to me?

Change with Purpose

Change Definition: make or become different

Purpose Definition: the reason for which something is done or created or for which something exists

*We changed from **X** to **Y** because of **Z***

Who? What How? Why?

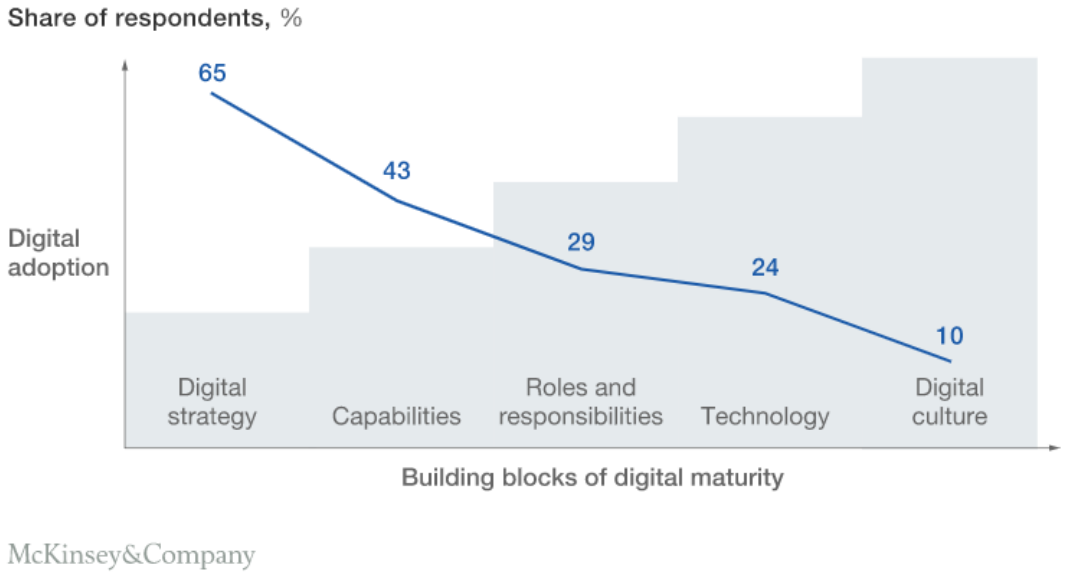
Change Management: is a collective term for all approaches to prepare, support, and help individuals, teams, and organizations in making organizational change.[1]

- It can mean a lot of things to a lot of people
  - SOX Controls - “Show me you followed a process”
  - IT Service Management (ITSM) - “Show me that you updated this system and have a test plan with verification and approvals that it works”
  - Project Management/Change Control - “We are going to swap from Program X to Program Y. Let’s make sure all of our processes still work?”
  - “We need to optimize our weekly reporting process so that it doesn’t take two weeks to build”

1 https://en.wikipedia.org/wiki/Change_management

Technology Change

- Who's been involved in a technology focused change project?
- Did it fail? And Why?



McKinsey notes the building blocks necessary for digital maturity

- Note that Culture drives maturity

They also note that of respondents, only 10% state that culture is not a problem

https://www.mckinsey.com/industries/pharmaceuticals-and-medical-products/our-insights/barriers-to-digital-at-scale-shifting-the-focus-from-tech-to-culture

The Why?, The How?, The What? And The Who?

Why?
How?
What?
Who?

- Understanding **why** the change is occurring also varies based on people, emotions and bias
- Understanding **how** to change is harder to understand and capture. The past, the present and the future all matter to people.
- Describing **what** you are changing is also easy. Could be new software, business process, team structure, etc..
- Identifying **who** is involved in a change is easy. Usually a team or department.

Focus on People First?

- Change Management is comprised of 2 components
  1. Change, which is situational (external). Moving offices, new reporting structure, ending a relationship
  2. Transition which is psychological (internal)

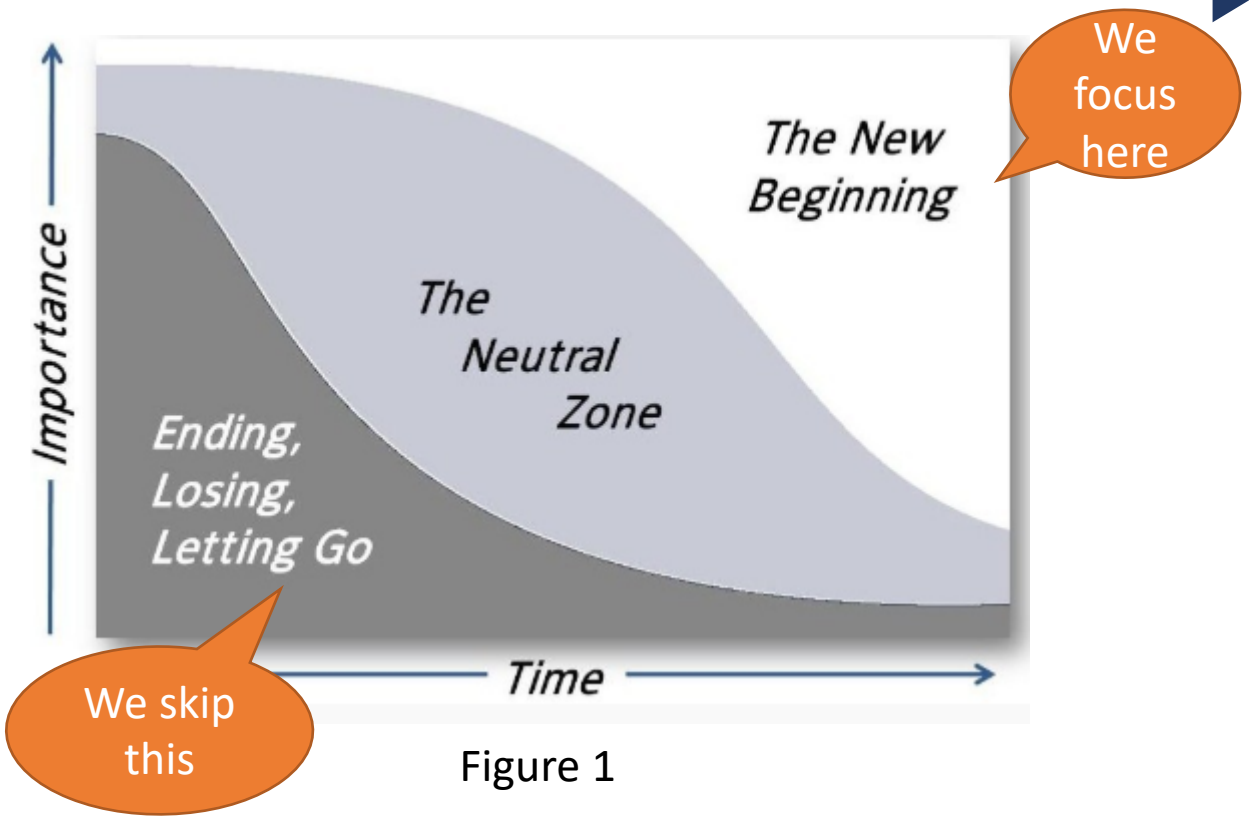
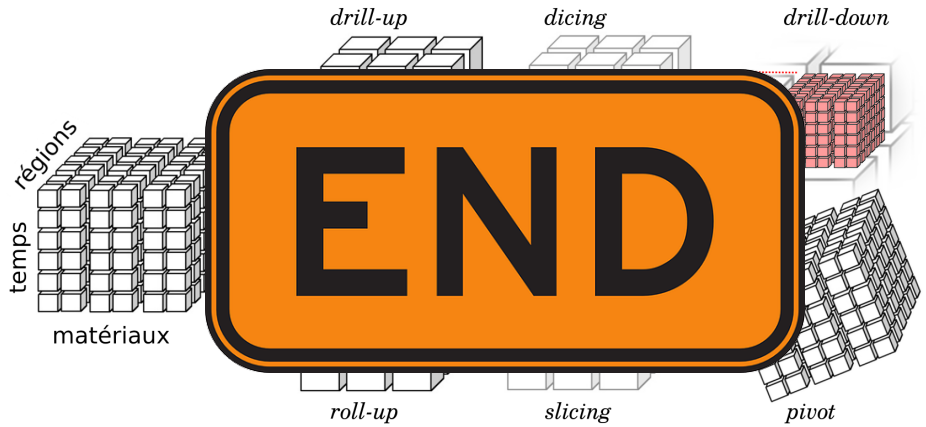


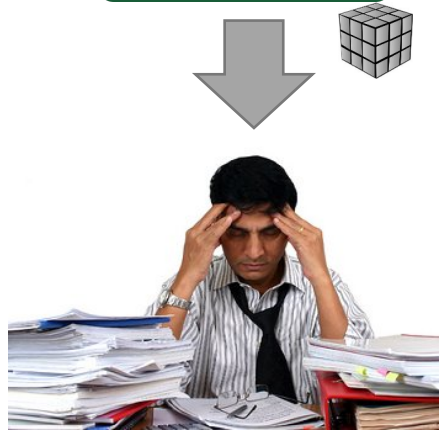
Figure 1

We changed from X to Y <u>because of</u> Z

- Why do we decide to make a change?
  - It could be because a software tool is being updated
    - MS Skype to MS Teams
    - RSA to Multifactor
    - Version 1.0 to Version 2.0
  - It could be because it's a regulatory requirement
    - IFRS
    - SOX
    - Environmental, Sustainabiltiy, Governance
  - It could be because standards got updated
    - ….PIDX
  - Introduction or Optimization of a process
  - It could be because an Executive said you're going to do it
  - **It could be that you don't know why?**

Accounting and Financial Reporting





Income Statement
Cascadia Wikimedians User Group
For the period September 1, 2014 to December 13, 2015

Income	Sep 1, 2014-Dec 13, 2015
Individual donation	198.00
Membership Dues: Individual	69.00
Nonprofit Organization Grant	7,208.00
Total Income	**7,475.00**
Gross Profit	**7,475.00**
Operating Expenses	
Accounting Fees	134.94
Food, drinks, meal supplies, and meals	153.06
Government licenses and fees	248.46
Insurance, Non-Employee	250.00
Postage, Shipping, Delivery	4.12
Rent and Other Occupancy	359.00
Sales & use tax-custom	14.81
Supplies	103.67
Total Operating Expenses	**1,268.06**
Operating Income	**6,206.34**
Net Income	**6,206.34**

Balance Sheet
Cascadia Wikimedians User Group
As at 31 December 2015

	31 Dec 2015
Assets	
Cash and Cash Equivalents	
Checking - with debit card	58.20
Petty Cash	0.50
Savings	5,905.50
Use for payable - Vos	(13.83)
Total Cash and Cash Equivalents	**5,946.37**
Property, Plant and Equipment	
Computer & Office Equipment	4.37
Total Property, Plant and Equipment	**4.37**
Other Non-current Assets	
Cameras, lenses, and camera accessories	188.32
Total Other Non-current Assets	**188.32**
Total Assets	**6,139.06**
Liabilities and Equity	
Liabilities	
Current Liabilities	
Accounts Payable	0.50
Total Current Liabilities	**0.50**
Total Liabilities	**0.50**
Equity	
Current Year Earnings	6,138.56
Total Equity	**6,138.56**
Total Liabilities and Equity	**6,139.06**

XYZ co. Ltd. Cash Flow Statement
(all numbers in millions of Rs.)

Period ending	*03/31/2010*	*03/31/2009*	*03/31/2008*
Net income	**21,538**	**24,589**	**17,046**
Operating activities, cash flows provided by or used in:			
Depreciation and amortization	2,790	2,592	2,747
Adjustments to net income	4,617	621	2,910
Decrease (increase) in accounts receivable	12,503	17,236	--
Increase (decrease) in liabilities (A/P, taxes payable)	131,622	19,822	37,856
Decrease (increase) in inventories	--	--	--
Increase (decrease) in other operating activities	(173,057)	(33,061)	(62,963)
Net cash flow from operating activities	13	31,799	(2,404)
Investing activities, cash flows provided by or used in:			
Capital expenditures	(4,035)	(3,724)	(3,011)
Investments	(201,777)	(71,710)	(75,649)
Other cash flows from investing activities	1,606	17,009	(571)
Net cash flows from investing activities	(204,206)	(58,425)	(79,231)
Financing activities, cash flows provided by or used in:			
Dividends paid	(9,826)	(9,188)	(8,375)
Sale (repurchase) of stock	(5,327)	(12,090)	133
Increase (decrease) in debt	101,122	26,651	21,204
Other cash flows from financing activities	120,461	27,910	70,349
Net cash flows from financing activities	206,430	33,283	83,311
Effect of exchange rate changes	645	(1,840)	731
Net increase (decrease) in cash and cash equivalents	2,882	4,817	2,407

Points of Agreement

- **Why** are we changing?
  - ✓ Do we agree that we are losing support of our existing software application?
  - ✓ Do we agree that we need something new?
- **What** is changing?
  - ✓ Do we agree on the tool we have chosen?
  - ✓ Do we agree that it won't work the same?
  - ✓ Do we agree that you will have to learn a new tool?
- **Who** does this affect?
  - ✓ Do we agree that this only affects the financial reporting team?

How are we going to change?

- You have to understand the current state. This includes technical state, process state and emotional state.

Identify the people you are affecting

Have a conversation about the process

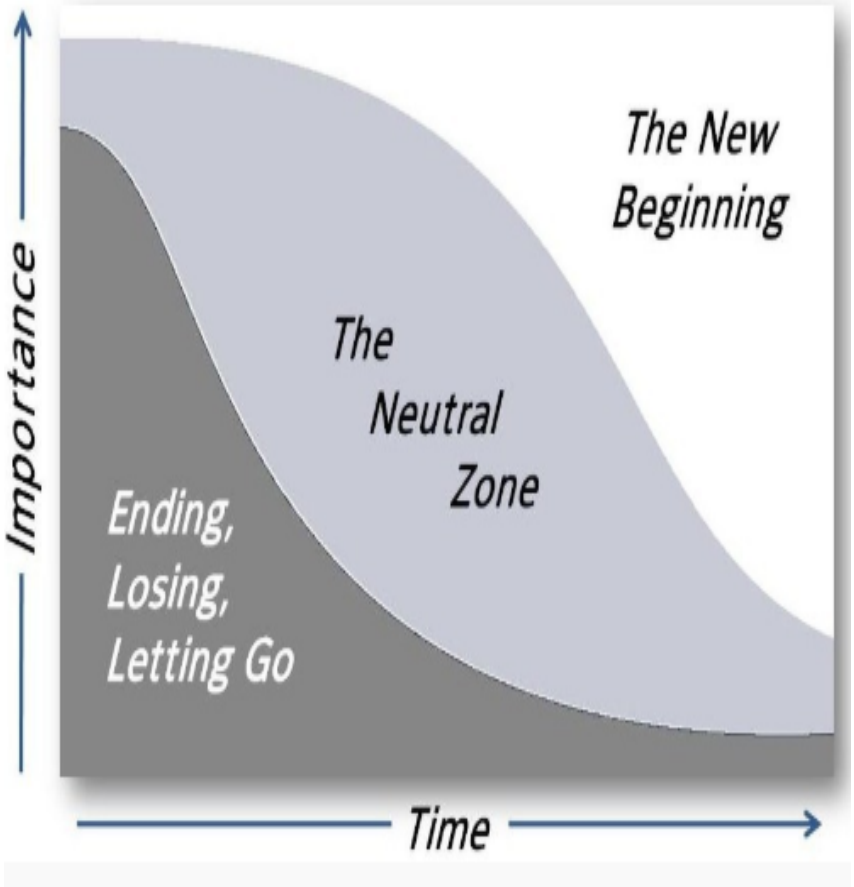
- That Works? Why?
- So you've never thought this takes too long?
- Find areas of agreement before disagreement
  - So we agree something could improve here?
  - We agree that this process could be faster? More reliable? Etc..

Show them another way

- During our current state we identified a few things
  - While they had this fancy cube, they still used excel like an excel file
  - Their calculations, aggregations were =Sum(A1:E1) + 100,000
  - A1:E1 represented Balance sheet item driven from the Income statement and it wasn't represented anywhere but the excel file
  - They were all doing data management and had the one tool they knew

- **We changed** our focus from replacing a cube, **to** teaching them how to manage and govern their data **because** they wanted to optimize

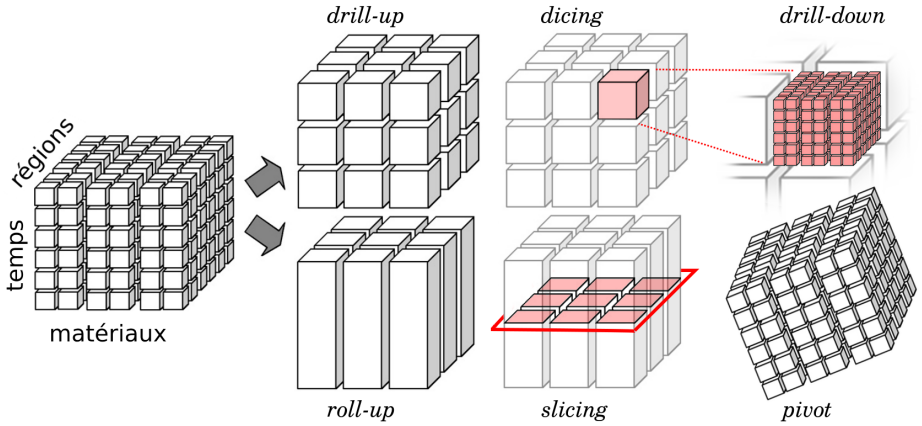
Then we started over……



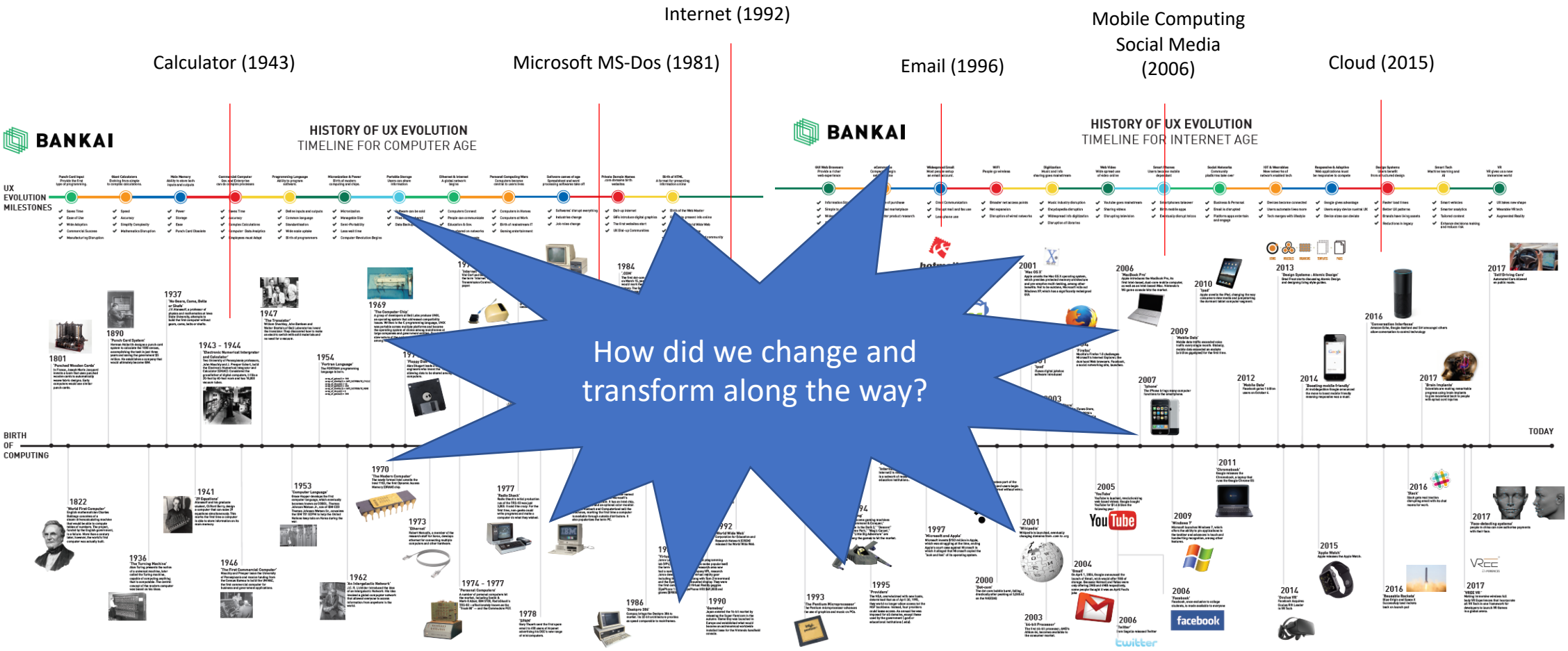
- **Why** are we changing?
  - We want standards around aggregations
  - We want to stop copying and pasting
  - We want to know where we have made adjustments
- **What** is changing?
  - How we manage the data and accounts between Income Statement, Balance Sheet and Cash Flow
- **Who** does this affect?
  - Still the financial reporting team?

This was the **TRANSFORMATION**

What changed? Who Transformed?

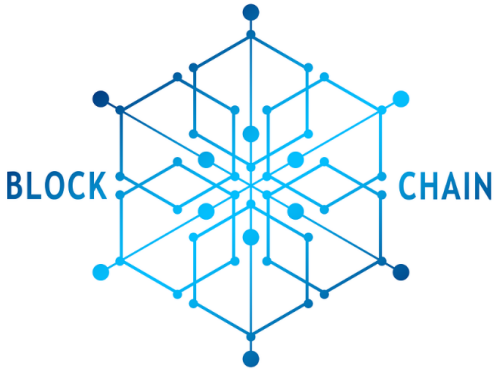


Change isn’t going to happen, It’s Happening



https://medium.com/@bankai_ux/history-of-ux-timeline-infographic-4a2035b5014a

What's changing today?



Netflix
A House of Cards
& Big Data

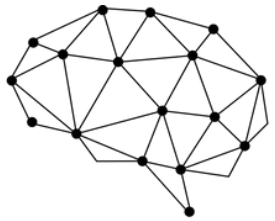
HOUSE of CARDS

Jonathan Friedland, Netflix's communications director, told *Wired* in November, "We know what people watch on Netflix and we're able with a high degree of confidence to understand how big a likely audience is for a given show based on people's viewing habits."

- **They knew** that their customers liked **Kevin Spacey**.
- **They knew** they really liked **David Fincher**
- **They knew** there was **interest in the British version *House of Cards*.** (Note: Fincher only directed the first two episodes, setting the tone.)
- **They knew** that **people who liked Fincher also liked Spacey**
- **They knew** that if they liked both, they typically liked shows like *House of Cards* (in **statistics, this is called a strong correlation).**

Based on that information, the execs at Netflix plunked down **$100 million for two seasons**.

Make Data Great Again



Cambridge Analytica

2008 Professor at Cambridge University created a psychometric model to measure 5 personality traits

Created MyPersonality App on Facebook as a questionnaire

Received 10's Millions of responses

Correlated Personality traits to your likes (images, news feeds, etc..)

In 2012 no longer needed the questionnaire to reveal personality traits

With **68 Facebook** Likes they could predict your:

- Skin Color (95% accurate)
- Sexual Orientation (88% accurate)
- Political Affilitation (85%)
- Religious leaning, Intelligence, drug use, etc…..

Targeted marketing based on your personality traits, socio economic factors, political leanings, demographics, etc.. **<u>to change voting outcomes</u>**

a.k.a The Trump Effect

Should we fear change?

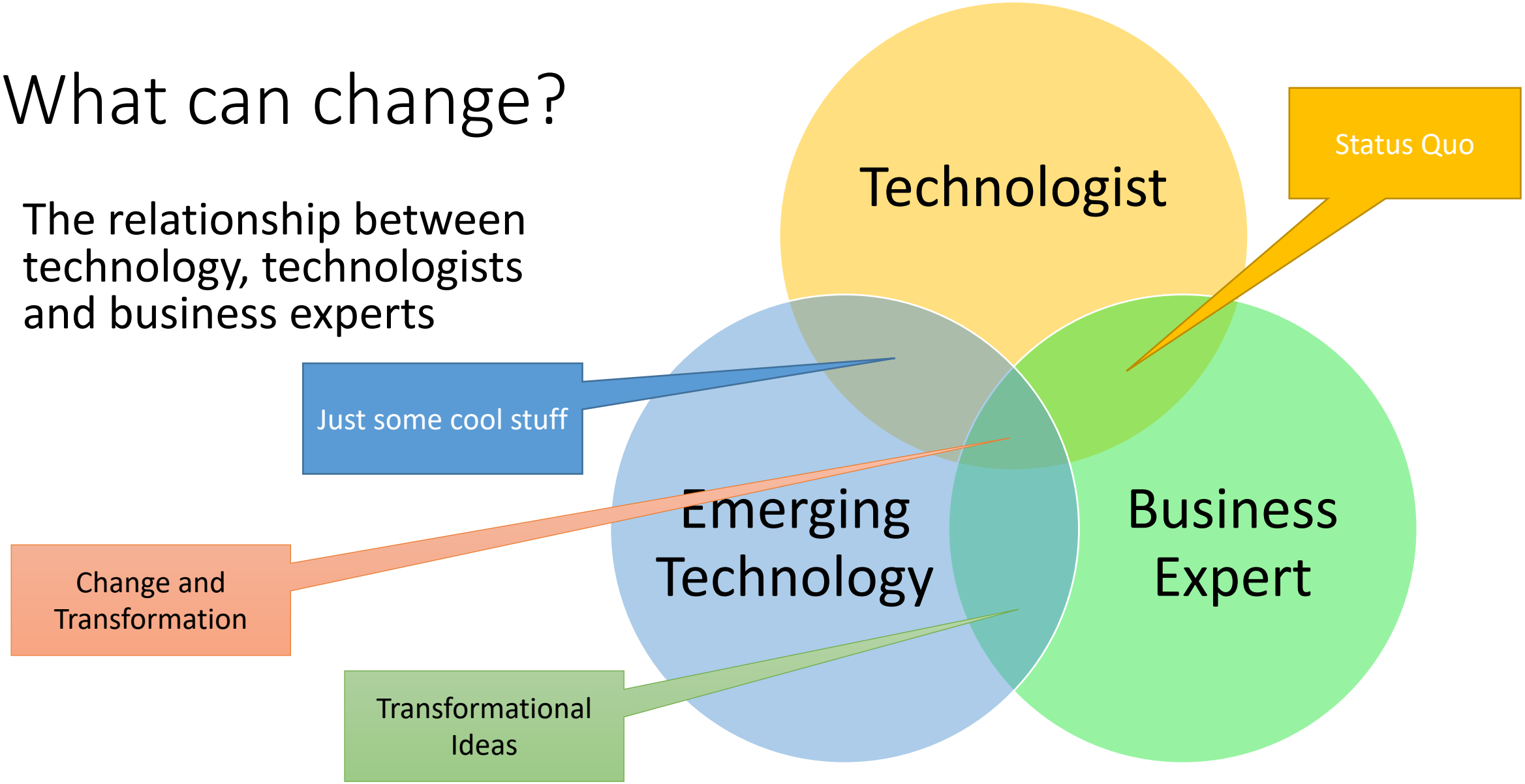
https://www.mckinsey.com/business-functions/organization/our-insights/unlocking-success-in-digital-transformations

- Will this replace me?.....Only if you let it.
- In an HBR article titled "Digital Transformation Is Not About Technology", they talk about leaders recognizing the fear of replacement
- Embrace the transformation opportunity and develop digital capabilities

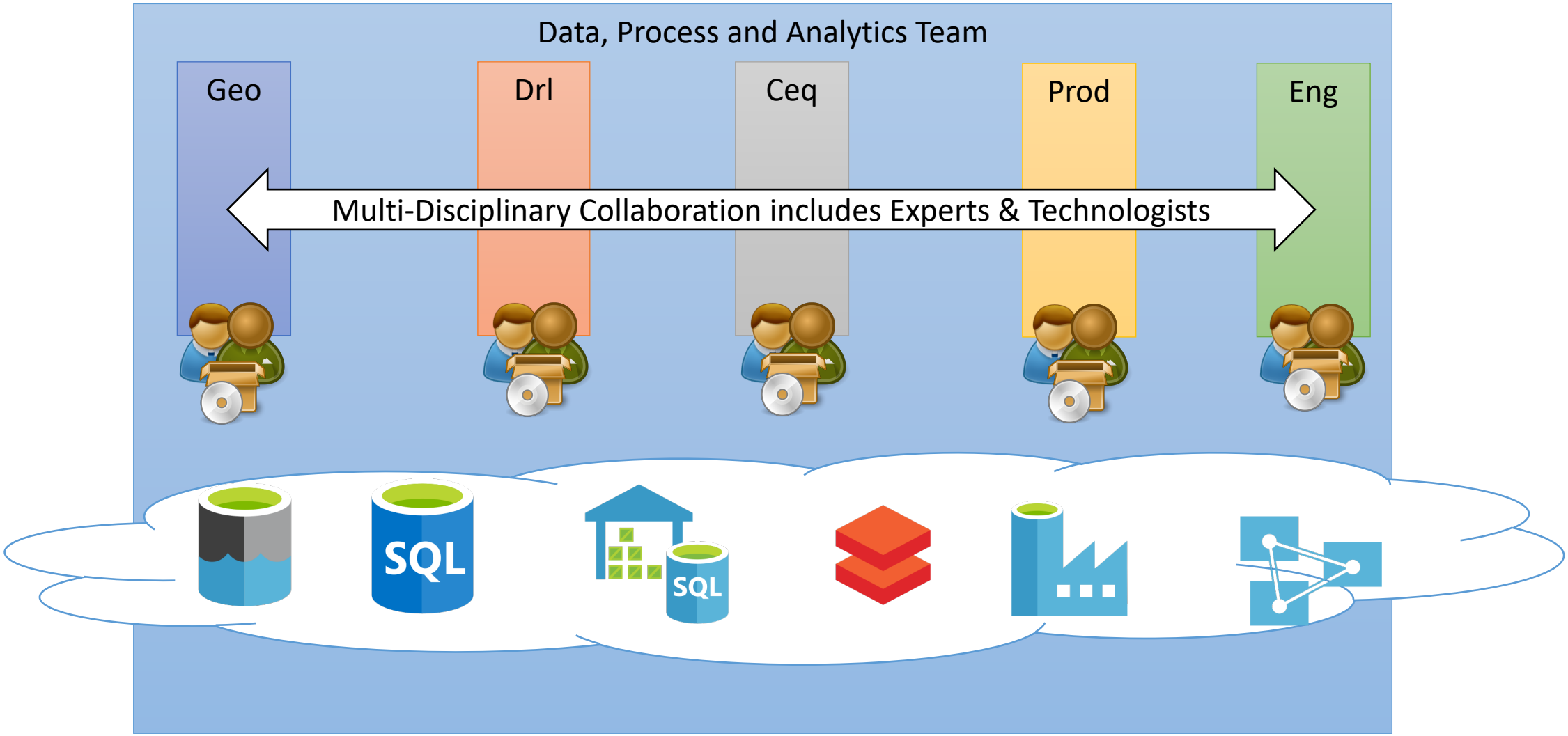
https://hbr.org/2019/03/digital-transformation-is-not-about-technology

What can change?

The relationship between technology, technologists and business experts



Organizational Change – Can we rethink how to put people together



We change from X to Y because of Z

- Think differently

- Be aware of what you are letting go

- Embrace the transformation and the future opportunity

- Find partners and peers to collaborate and advance