Managing for Artificial Intelligence (AI) Change

Bevington Group – Change Network

Prompt: An image that depicts AI integrated into the everyday work life of an organisation, with humans and AI agents working side by side to drive better outcomes for their customers. The image conveys optimism and a sense of common purpose, feels real without any floating figures, and draws inspiration from the Marvel Cinematic depiction of AI.

Sydney – Wednesday 31st July 2024

BEVINGTON GROUP

PERFORMANCE OUTCOMES DELIVERED

Today we will cover…

1. How deployment of AI change may change an organisation's shape, capability needs, and services

2. The challenges presented by change in general, and AI-related change in particular

3. Our advice on how to meet the challenges

BEVINGTON GROUP

PERFORMANCE OUTCOMES DELIVERED

Impacts of AI on the Organisation

How AI impacts an organisation's shape, capability needs, and services

BEVINGTON GROUP

PERFORMANCE OUTCOMES DELIVERED

AI initiatives will likely have significant impacts on your organisation's operating model

- Structure
- Core functions
- Role design
- Risk & resilience model

- Governance
- Mgmt. disciplines
- Decision making

- Metrics
- Data
- Performance Targets
- Reward & recognition

Organisation design

Service & process design

Disciplines & oversight

Customer

Infrastructure

Information & incentives

People & partnerships

- Service model
- Process design
- Policy
- Ways of working

- Technology
- Automation & AI
- Geography & Footprint

- Culture
- Resourcing
- Capability
- Sourcing

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

In particular, we see the need to carefully prepare for:
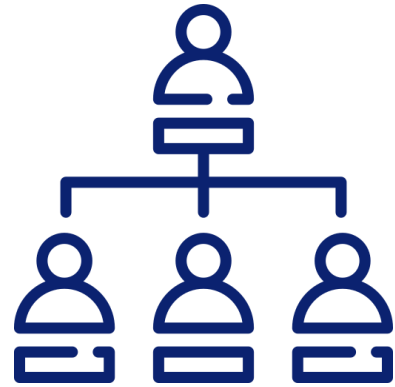
Structural Impacts

- Organisational Shape
- Roles & Responsibilities
- Capabilities
- Services

People Impacts

- Adaptability
- Balance of Skills
- Cognitive Load
- Job Satisfaction

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

Impacts of AI on the Organisation

Structural Impacts

BEVINGTON GROUP

PERFORMANCE OUTCOMES DELIVERED

There are several potential drivers for structural impacts…
Key change drivers to consider include:

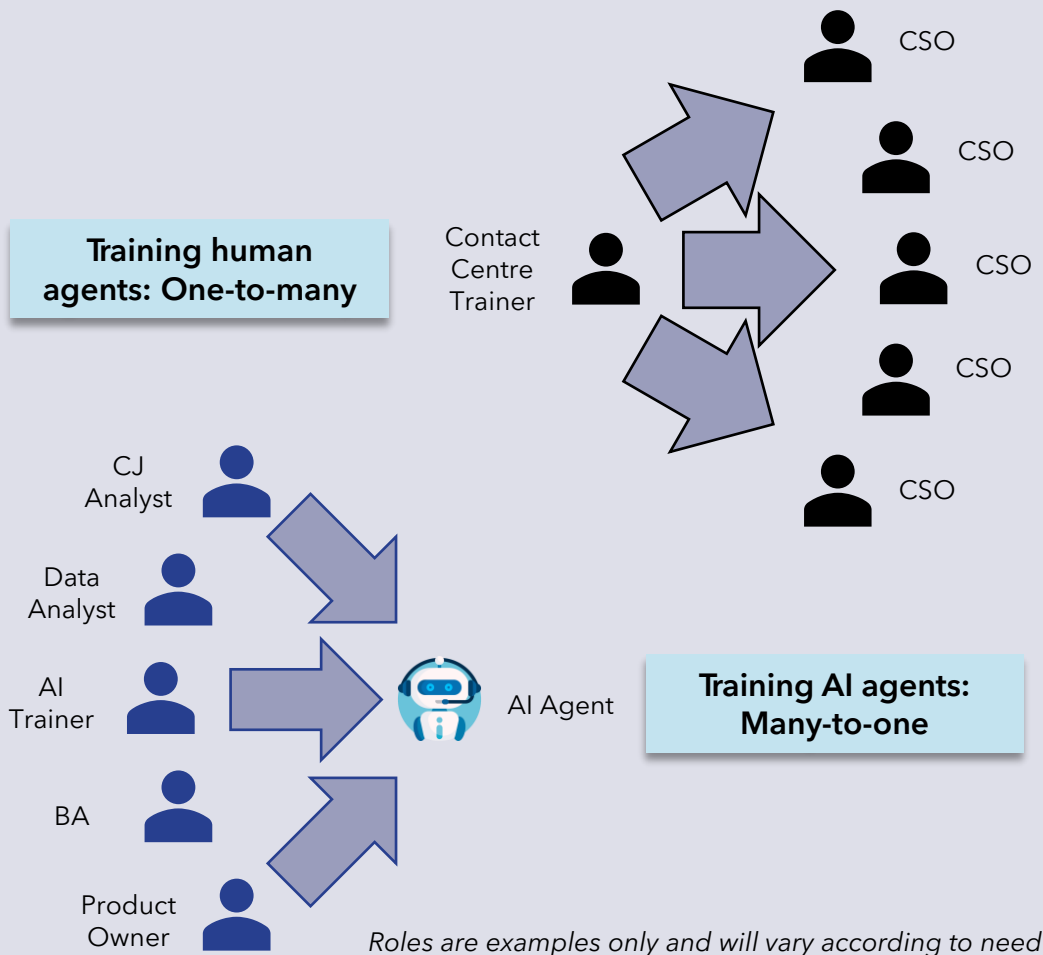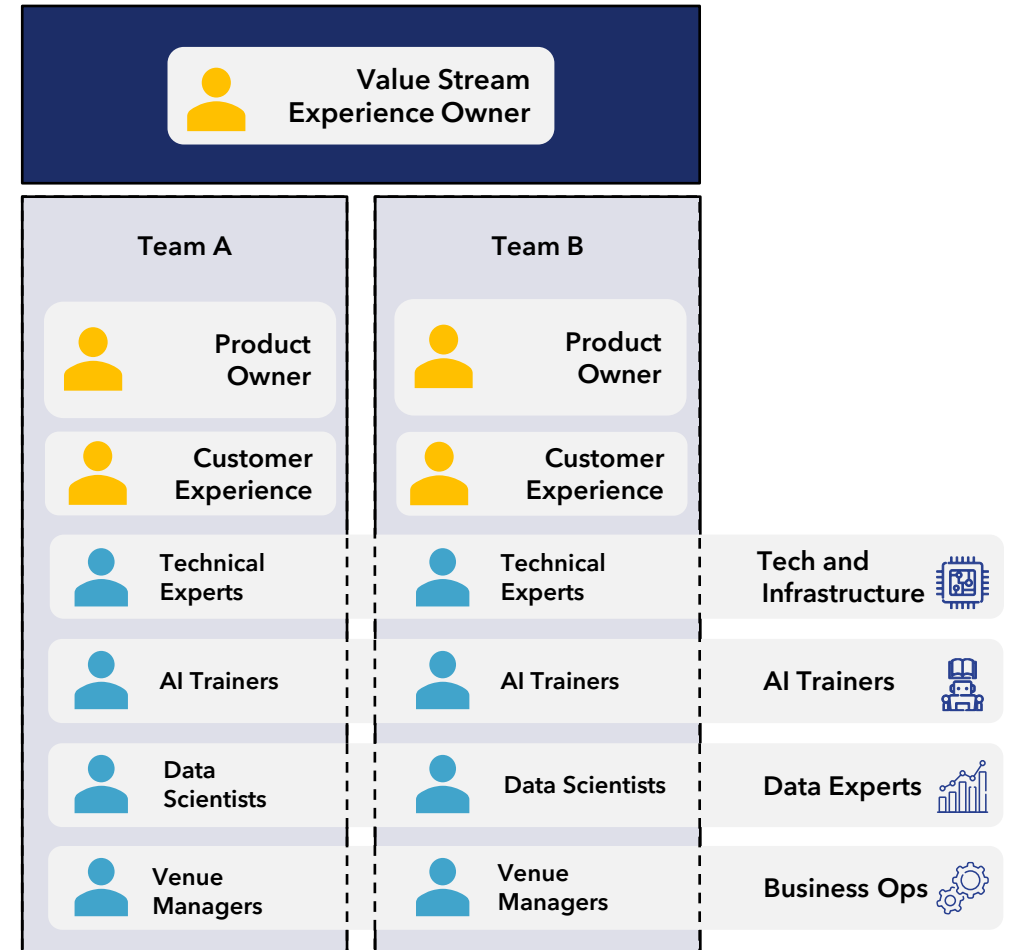| Capabilities	Services	Organisational Shape

• New capability requirements will emerge in the organisation in response to deployment of new tools and processes
 	
• In some cases, new roles will be required to realise these capability needs
 	
• Key skills likely to increase in demand are
   • Specialist skills in techniques and platforms for ML, GenAI, cloud, etc.
   • AI literacy
   • Cognitive flexibility
   • Creativity
   • Critical thinking
	• New AI-driven processes represent the practical application of new organisational capabilities including:
	   • Hyper-personalisation
	   • Predictive services
	   • Automated interactions (internally and externally)
	   • New AI-enabled offerings
	   • Operational efficiency
		• As new AI capabilities emerge, organisations will need to reshape to fully leverage them
		
		• Creation of new roles and the transformation of existing ones directly impact the structure and hierarchy of an organisation
		
		• Potential change themes for structure include:
		   • Altered hierarchies
		   • Decentralisation
		   • Cross-functional teams
		   • Dedicated AI / ML teams

…Given that Artificial Intelligence touches every part of the Operating Model, changes in one area can also instigate feedback loops requiring holistic review of interactions and influences…

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

AI will likely drive an increased requirement for cross-disciplinary collaboration and the use of Agile teams…

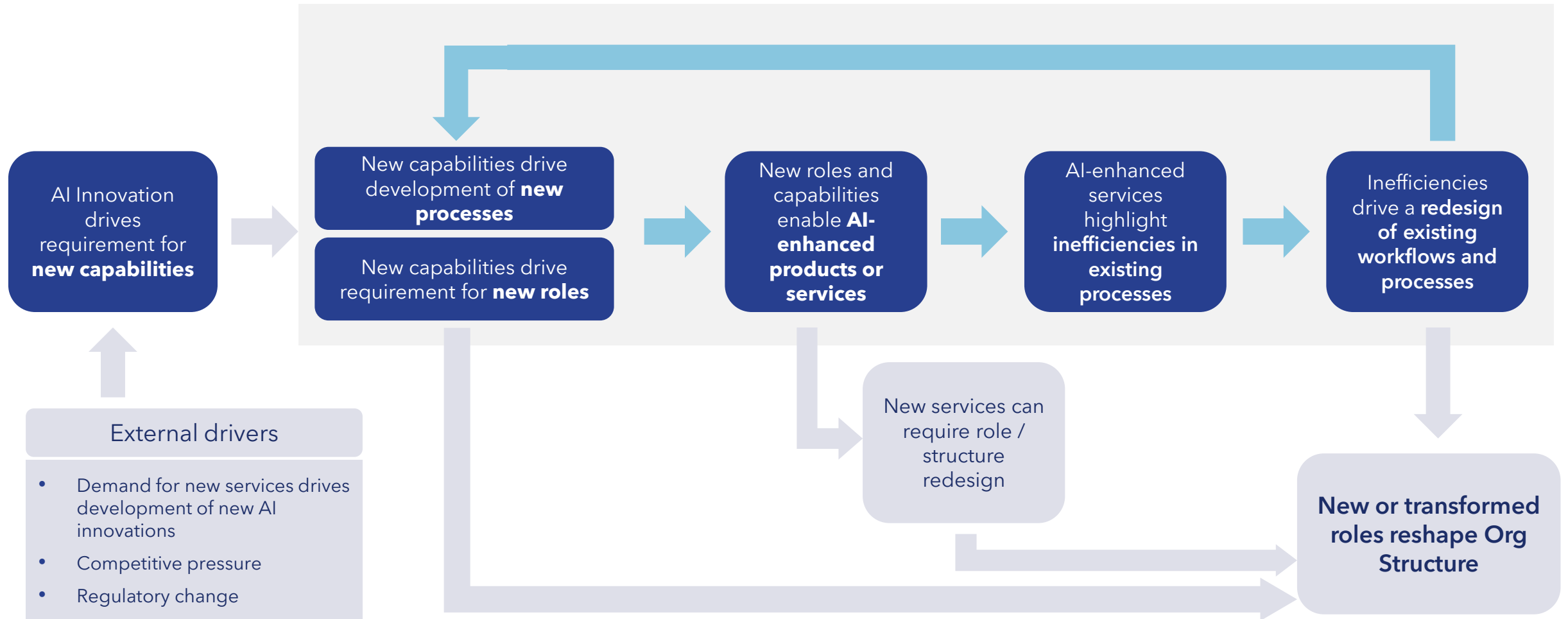*e.g., the increased requirement for collaboration in training approaches for customer service centres…*

Training human agents: One-to-many

CSO

CSO

Contact Centre Trainer

CSO

CSO

CSO

CJ Analyst

Data Analyst

AI Trainer

AI Agent

Training AI agents: Many-to-one

BA

Product Owner

Roles are examples only and will vary according to need

e.g., more Agile structures are likely to be helpful in deploying AI implementations…

Value Stream Experience Owner

Team A	Team B	
Product Owner	Product Owner	
Customer Experience	Customer Experience	
Technical Experts	Technical Experts	Tech and Infrastructure
AI Trainers	AI Trainers	AI Trainers
Data Scientists	Data Scientists	Data Experts
Venue Managers	Venue Managers	Business Ops

…however, these ways of working can be challenging for some people and the change must be managed carefully…

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

The cumulative impacts cascade and result in iterative feedback loops throughout the organisation

AI Innovation drives requirement for **new capabilities**

New capabilities drive development of **new processes**

New capabilities drive requirement for **new roles**

New roles and capabilities enable **AI-enhanced products or services**

AI-enhanced services highlight **inefficiencies in existing processes**

Inefficiencies drive a **redesign of existing workflows and processes**

New services can require role / structure redesign

New or transformed roles reshape Org Structure

External drivers

- Demand for new services drives development of new AI innovations
- Competitive pressure
- Regulatory change

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

As your organisation moves up the AI maturity curve, your structure will likely evolve, promoting continuous change

Islands of Experimentation
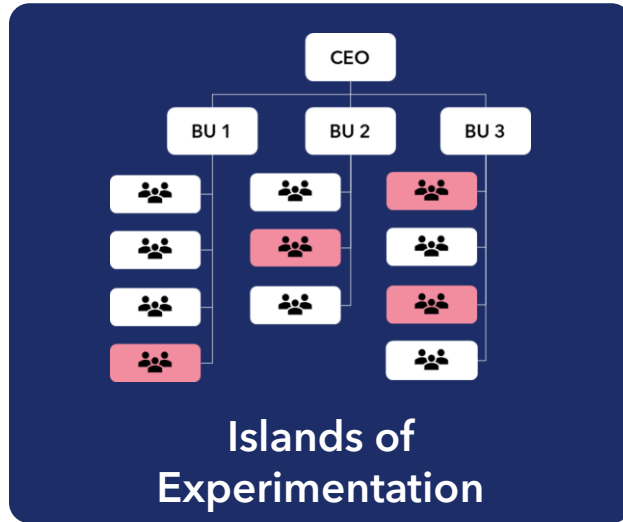
Point application of AI is utilised haphazardly across the enterprise

Low overall levels of AI expertise. Significant missed opportunities

Corporate Centres of Excellence (CoE)

Centralised AI expertise that business units can access as needed

Enables ease of capital uplift and drives a higher baseline competence for AI

Federation of Excellence (FoE)
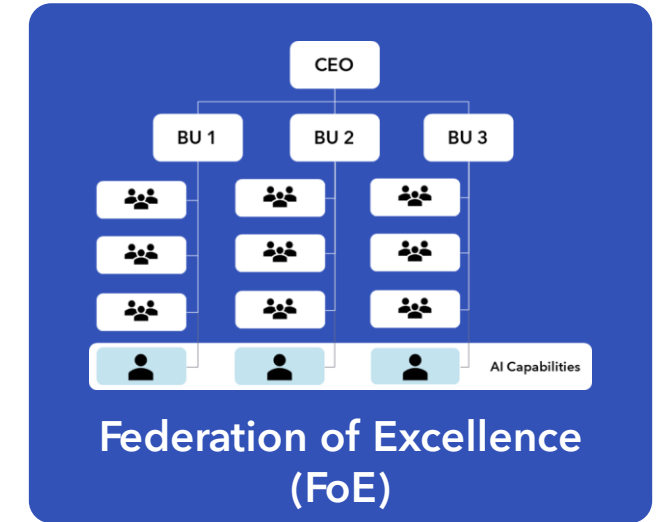
Capabilities are decentralised and embedded across business units

and

Centralised base of knowledge, systems, processes, and tools driven by a single AI strategy

This looks a lot like practices in a strong digital organisation

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

Impacts of AI on the Organisation

People Impacts

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

When it comes to the people aspects of AI-driven change, two important areas to consider are

How is (my) work changing?

How is change evolving?

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED
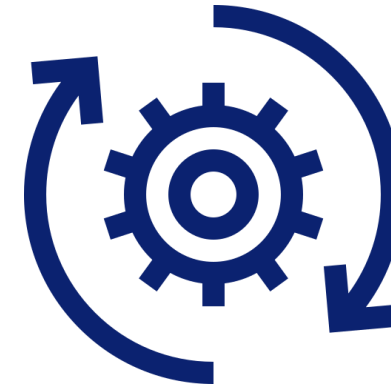
A commonly touted line is that "humans will do more interesting work" as we adopt AI…

What does this mean?

- AI is used to enable automation of processes
- Repeatable tasks are transferred to AI capability to complete
- Humans then focus on more creative, strategic, and interpersonal aspects of their roles as they exist today

Organisational level impacts

- Increased productivity expectations
- Business operates closer to 24/7 as AI doesn't need time off; but this still needs to be balanced with human driven tasks
- Increased demand by employees for
  - Job satisfaction (engaging and fulfilling work)
  - Upskilling – continuous learning and development
  - Work-life balance – for some, this means less time at work overall (e.g. 4-day work week)

Individual level impacts

- Menial tasks reduce, as individuals focus on the more 'interesting' work. This means there is…
  - A higher cognitive load
  - Less 'down-time' tasks
  - A greater need to balance workload and manage burnout

- Individual roles will continue to evolve, driving the need to:
  - Learn to use new methods and tools to complete their tasks
  - Continuously upskill and improve their personal capability

- Longer term, those who are newer to the work force or yet to enter will need to pivot their development focus. This means focusing on:
  - Adopting the right mindset to thrive in the AI-driven workplace
  - Learning how and when to leverage AI capabilities
  - Learning how to think critically and laterally to solve problems

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

Eventually, even the 'new' work AI has generated will become obsolete...

The continuous evolution of roles driven by AI

Build AI to complete the task → Implement AI to automate a task → Remove workload from individual → Add new tasks to role → Identify how AI can support task completion → (back to Build AI to complete the task)
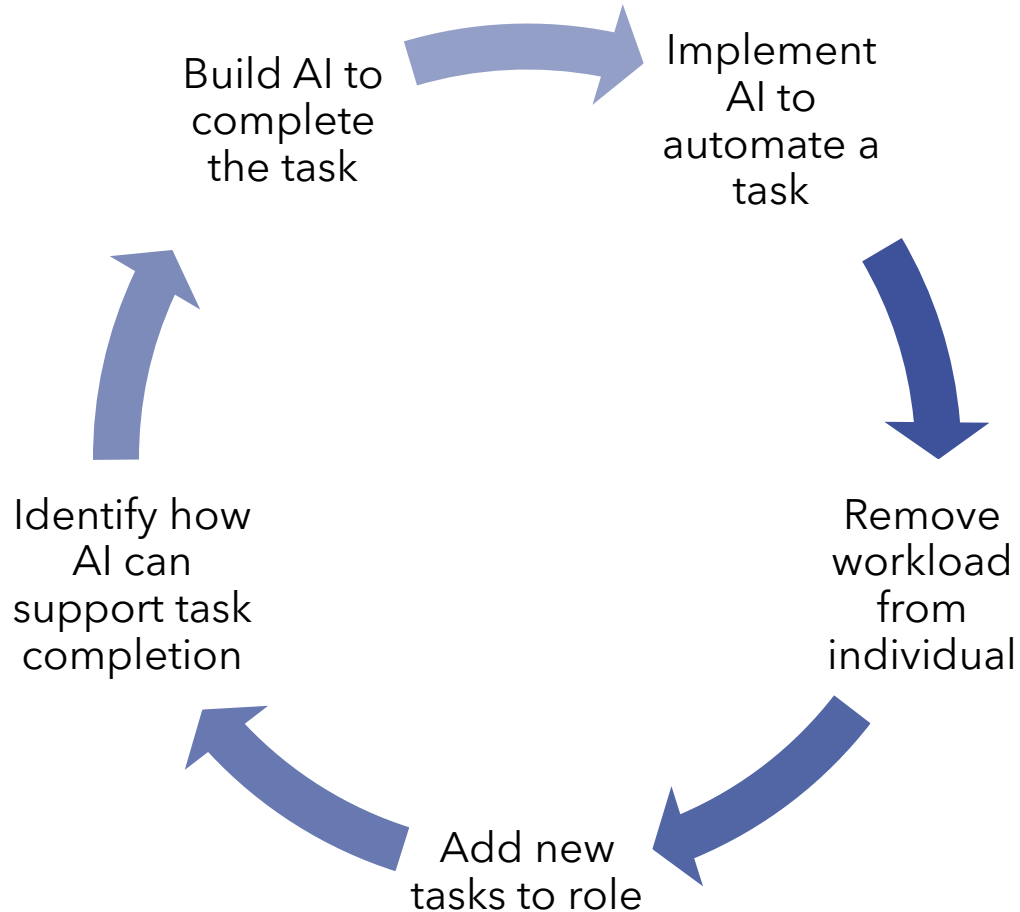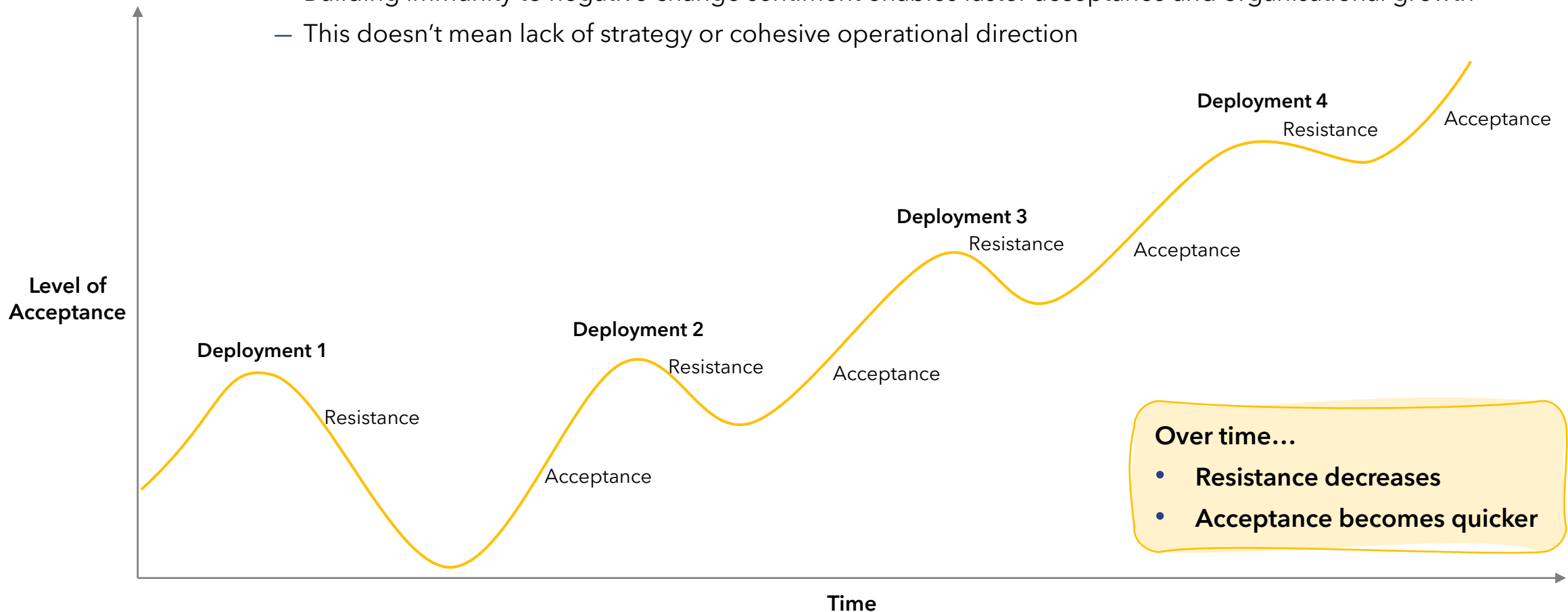
- Over the long-term, the focus must reside in designing better ways to complete the work

- Individual mindset and response to change will likely determine success

- Proactive individuals are focused on developing transferrable skills that complement AI-augmentation
  - Lateral thinking / lateral problem solving
  - Critical thinking and problem solving
  - Conceptual understanding
  - Adaptability
  - Relationship management (and ability to manage up)

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

AI change is going to be a new constant, so change management will need to be similarly constant and continuous

We must ingrain continuous improvement (and lack of steady state) as part of normal operating conditions

— Failure to do so will likely result in greater levels of resistance at every implementation

— Building immunity to negative change sentiment enables faster acceptance and organisational growth
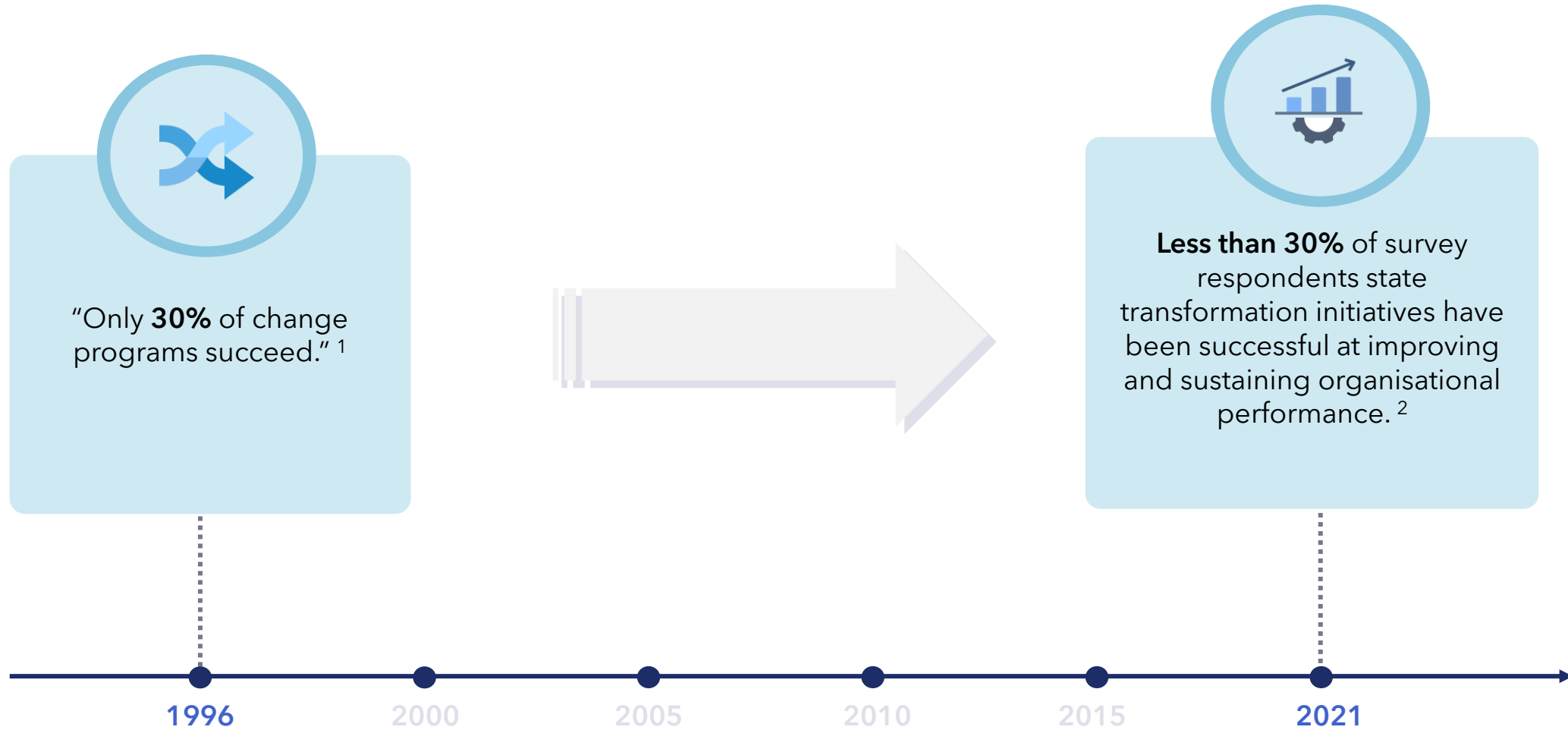
— This doesn't mean lack of strategy or cohesive operational direction

Level of Acceptance

Deployment 1
Resistance
Acceptance

Deployment 2
Resistance
Acceptance

Deployment 3
Resistance
Acceptance

Deployment 4
Resistance
Acceptance

Time

Over time…
- **Resistance decreases**
- **Acceptance becomes quicker**

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

The challenge of AI change

BEVINGTON GROUP

PERFORMANCE OUTCOMES DELIVERED

All change is challenging…
This challenge is not new, and we do not appear to be any better at meeting it than we were 30 years ago…

"Only **30%** of change programs succeed." [1]

Less than 30% of survey respondents state transformation initiatives have been successful at improving and sustaining organisational performance. [2]

1996   2000   2005   2010   2015   **2021**

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

AI-related change also potentially poses new or increased challenges…

AI's impact is broad and deep across many industries, roles, processes, and tasks compared with historic technological developments

Existential fears of job displacement are widely discussed in public discourse

Employees may have pre-conceived attitudes and opinions on AI's potential benefits and risks, since most have had personal experience with the technology as a consumer (e.g. ChatGPT)

AI technology is still maturing but developing rapidly

- Being specific in change communications on nature, extent and timelines will be particularly difficult for large transformations

- Consulting with workers prior to implementation can be more challenging due to difficulty in predicting the exact AI use cases that will be put in place

- Hiring or accessing AI expertise will be competitive due to overnight growth in demand vs supply of these specialised skill sets

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

If change is managed poorly, then AI implementation may end up doing more harm than good

A case of poorly managed AI change

Limited functionality of AI tool disincentivised transparency and appropriate escalation, consequently hindering management oversight and team morale

An off-the-shelf customer feedback tool was implemented by an Austrian insurance company. The new tool was not discussed with employees nor adapted into existing processes to distinguish feedback between dissatisfaction with the product or service levels.

"If customer feedback was three stars or less (out of five possible stars), the supervisor must react and intervene by calming down the dissatisfied customer, so to speak. However, as this is an intervention in the supervisor's work process, the works council was alerted. In many cases, poor customer satisfaction was not related to [the quality of customer service] but to the product. [Customer service representatives] must not suffer any disadvantages from this and evaluation must not be person-related because the dissatisfaction is often due to the product."

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

# The AI change challenge may be particularly acute in Australia…

Products and services using artificial intelligence **have more benefits than drawbacks**

	Lowest	Australia	Average	Highest
%	37%	40%	54%	78%
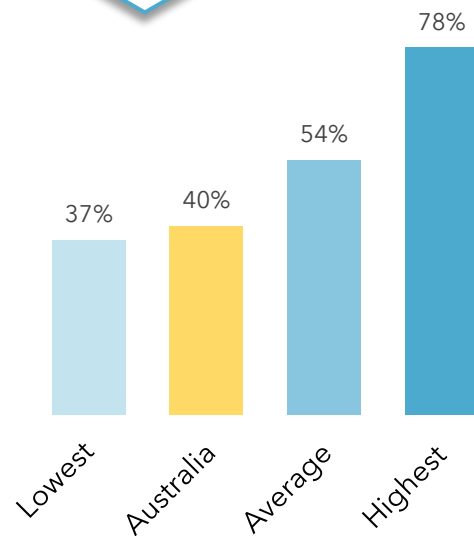
However, Australians generally do not see these benefits…

Products and services using artificial intelligence **make me nervous**

	Lowest	Average	Australia	Highest
%	23%	52%	69%	69%
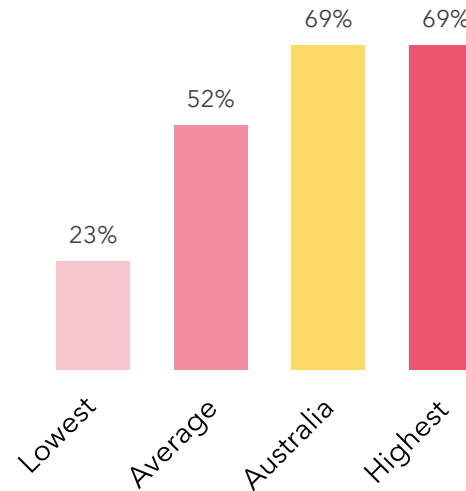
There is strong negative sentiment toward AI in Australia

- A recent survey spanning 31 countries, "Global Views on A.I. 2023", indicates that Australians have more negative than average opinions of AI

- Australian respondents consistently indicated low trust in AI and corporations deploying AI

- Australia had the highest rate of respondents expressing nervousness about using products incorporating AI

Source: Ipsos - Global Views on A.I. 2023

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

Successful AI change management

BEVINGTON GROUP

PERFORMANCE OUTCOMES DELIVERED

Although there has been significant development in this area, the approach for successful AI change is not dissimilar to best practice change management

We have observed that when it comes to change initiatives, especially transformational programs

Success rates have not been seen to improve over the last several decades

The same challenges that existed 30 years ago, still exist today

i.e. while AI-change may pose new, additional, challenges, it continues to pose the same challenges that have always confronted organisations seeking change

Unsurprisingly then, we see that the approach to AI-related change must still follow tried-and-tested principles that have applied to past transformations, though we may need to tailor (and add to) our approach to meet the specific challenges posed by AI change
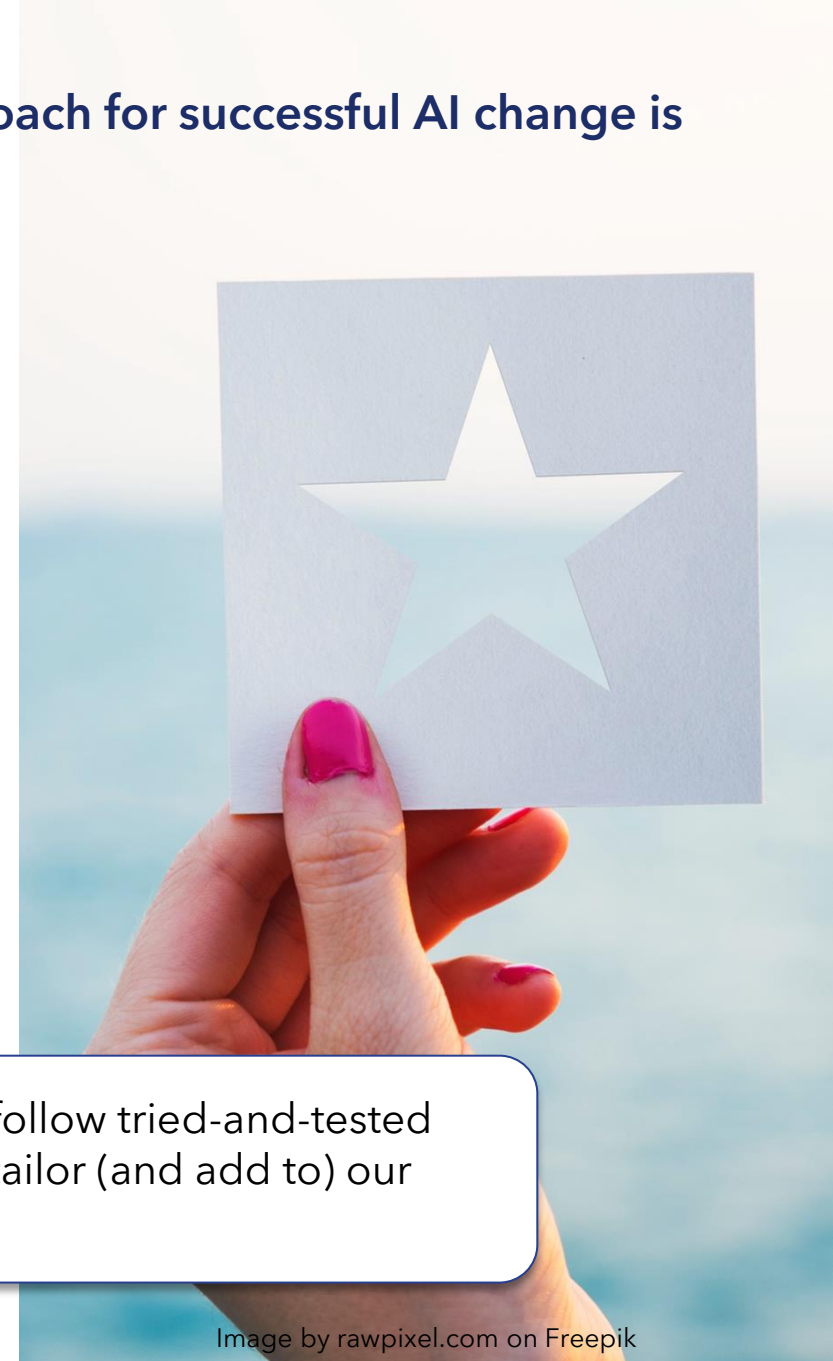
Image by rawpixel.com on Freepik

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

Leaders can draw on several (mature) frameworks and theories to support implementation of change

Kotter's Eight Step model

A structured approach to tackling and overcoming organisational change, focusing on the actions required

Prosci's ADKAR model

A	**Awareness** of the need for change
D	**Desire** to participate and support the change
K	**Knowledge** on how to change
A	**Ability** to implement required skills and behaviours
R	**Reinforcement** to sustain the change

A goal-oriented change management model that focusses on five key building blocks for successful change

Kübler-Ross change curve
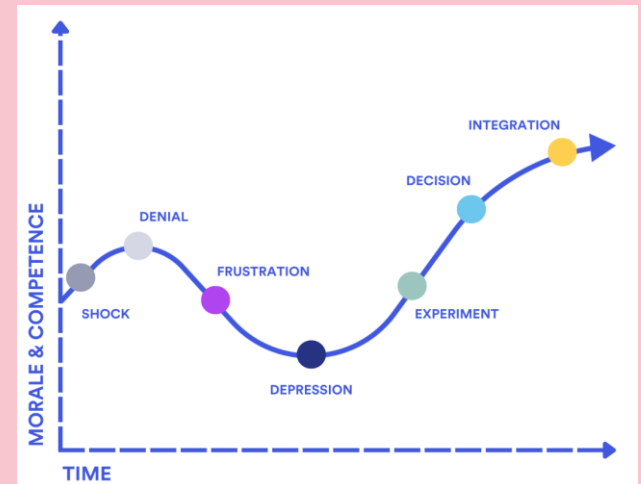
A supporting model that describes the emotional phases individuals go through when experiencing change

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

When we see successful AI-related change, we see good adherence to core change management principles…

Successful AI change case

Clear and consistent change communication by leaders enhanced buy-in from main technology users and encouraged uptake

A US multinational bank developing machine learning technology to generate country-level revenue forecasts prioritised the buy-in of the financial analysts who would be using the tool in its communication strategy.

It sought to reassure the analysts of their job security by emphasising human workers' comparative advantages and insisted on adapting to AI as the "new normal".

"We have done massive amounts of education with our workforce about AI. Vice presidents present about AI at company-wide webinars. We tell them 'AI will not replace people but the people who resist AI will be replaced by people who embrace it.' AI is here to stay, and you better get used to it. [It is] sort of like spreadsheets 30 years ago. At first, they were only used in accounting, but now everyone uses them."

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

Bevington Group's recommended approach to successful change management draws five key commonalities from popular frameworks

1) Leadership

- Generating the shared vision
- Clear and consistent communication of the vision
- Mobilising commitment

2) Engagement

- Early and ongoing communication
- Reflecting employees' perspectives and tailoring the message and approach by department / team where appropriate
- Empowering and coaching people to support change activities

3) Planning, execution and continuous learning

- Bringing people together to plan and execute change activities (including understanding the impacts, business readiness, and removing obstacles to change)
- Piloting approaches, learning lessons, and building continuous improvement into change activities
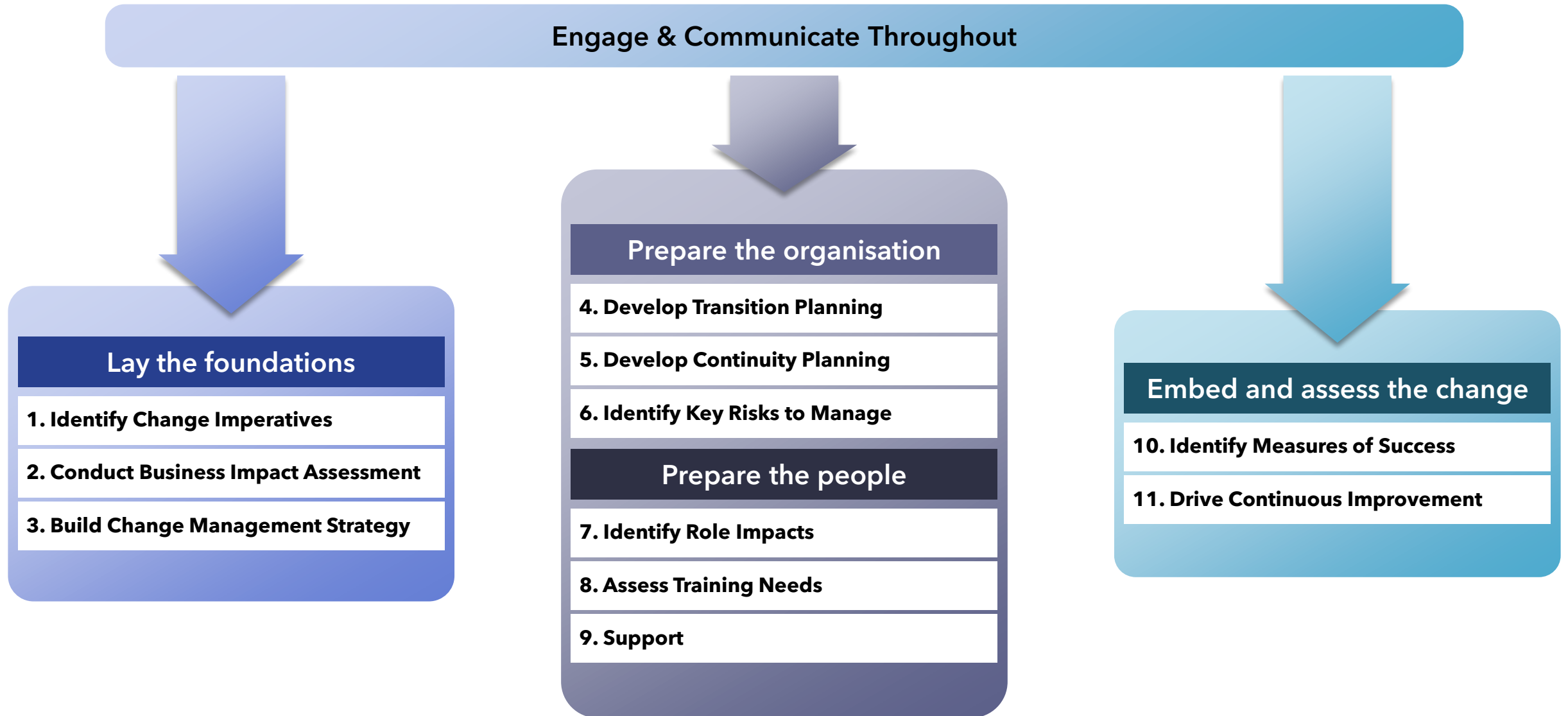
4) Effective measurement

- Measuring implementation activity, behaviours, and outcomes (to make sure that changes are being delivered, adopted and are resulting in desired outcomes)
- Ensuring the measures are clearly defined, visible, and open to inspire team members

5) Risk management approach

- Understanding critical risks from behavioural as well as operational / technical perspectives
- Developing risk responses and mitigation strategies to reduce their probability or consequence
- Developing contingencies where appropriate

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

The Bevington Change Framework applies these elements to deliver cohesive change

Engage & Communicate Throughout

Lay the foundations
1. Identify Change Imperatives
2. Conduct Business Impact Assessment
3. Build Change Management Strategy

Prepare the organisation
4. Develop Transition Planning
5. Develop Continuity Planning
6. Identify Key Risks to Manage

Prepare the people
7. Identify Role Impacts
8. Assess Training Needs
9. Support

Embed and assess the change
10. Identify Measures of Success
11. Drive Continuous Improvement

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

An appetite for learning and a readiness to adapt will greatly aid leadership in delivering change

Continuous, iterative consultations

— With the full impact of AI still difficult to quantify and ongoing technological advancements (i.e. constant change), **it is increasingly important to have an ongoing feedback channel with employees throughout the entire change management process**

— **Organisations may benefit from involving staff early on in change planning stages** (e.g. assist in identifying and prioritizing highest value use cases, brainstorm potential obstacles to implementation etc)

Coordinated change

— **Coordination and cohesion of change communications and implementation will be even more important**, since AI affects a greater depth and breadth of an organisation compared with historic technological developments

— Existential fears of job displacement are well discussed in public discourse, so improving workers' willingness to engage with AI technologies will be crucial to successful adoption

Re-examine operational values

— **Is more emphasis on innovation, adaptability and continuous improvement in the work culture needed to support this?**

— Provide more opportunities for continuous learning and just-in-time functional training to facilitate the workforce operating through extended periods of flux/transition

Flexible leadership style

— While an authoritative style of communicating and making decisions is useful for providing assurance and clear direction, this may be less effective when steering the organisation through multiple iterations of digital change

— **A given leader or proponent of change will need to be adept at applying different leadership styles to reap the benefits from involving employees at every stage in the change journey**

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

Some key factors to consider at various stages of your change journey…

1) Planning for Change

Assess Current Capabilities and Needs:

- Evaluate the organisation's current state, including technology infrastructure, workforce skills, and business processes

Define AI Vision and Objectives:

- Establish clear goals for AI adoption and how it aligns with the organisation's strategic direction

Develop a Change Management Plan:

- Create a roadmap for managing the structural and people impacts of AI integration, including communication strategies and stakeholder engagement

Establish an AI Governance Framework:

- Set up an ethical framework and guidelines for AI use, including an Algorithm Review Board to oversee AI implementations
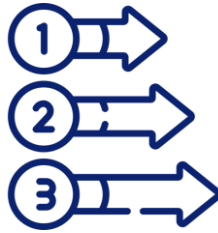
2) First Steps

Implement Cross-Functional Collaboration:

- Encourage cooperation between IT, data science, and business units to foster innovation and seamless integration of AI tools

Upskill and Reskill Workforce:

- Invest in training programs to develop skills that complement AI, such as critical thinking, creativity, and emotional intelligence

Pilot AI Projects:

- Start with small-scale AI projects to test and learn from the outcomes, adjusting strategies as needed

3) Looking Ahead

Scale AI Solutions:

- Expand successful AI pilots into larger initiatives across the organisation

Continuously Monitor and Adapt:

- Use feedback and data to refine AI strategies and ensure they remain aligned with organisational goals

Foster a Culture of Continuous Learning:

- Encourage a mindset of ongoing development and adaptation to new AI-driven opportunities and challenges

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED

And, of course, we are here to help if you need it…

Thank you.

BEVINGTON GROUP

PERFORMANCE OUTCOMES DELIVERED

Contact details and disclaimer

Bevington Group is a specialist consultancy with six core practices:

Operating Model Design and Restructuring

Lean Process Reengineering

Process Automation, Digitisation and AI

Accelerated Implementation

Change Management

Risk Intelligence

Questions or clarification of the content of this report can be directed to:

Report authors		
Roger Perry	+61 3 9663 5522	ceo@bevingtongroup.com
Jan Kautsky	+61 432 419 404	jan.kautsky@bevingtongroup.com

Other enquiries can be directed to		
Bevington Group Office	+61 3 9663 5522	admin@bevingtongroup.com

All content in this report is subject to copyright and cannot be reproduced without the express permission of Bevington Consulting Pty Ltd.

Disclaimer:

This report has been prepared in good faith based on information provided by client staff and other sources of information available at the date of publication without any independent verification. It is the responsibility of the client management to ensure that their staff provide accurate information, and that management are not aware of any issues that may impact the usefulness of the data for its intended purpose. Readers are responsible for their interpretation and actions based on the content of this publication. Bevington Consulting will not be liable for any loss, damage, cost or expense incurred or arising by reason of any person or organisation using or relying on information in this report for purposes other than its intended purpose.

BEVINGTON GROUP
PERFORMANCE OUTCOMES DELIVERED