Overcoming the 'disruption dip' in the aftermath of M&A

M&A deals are disrupting the life science industry – and that's good, mostly. Yet, when a company reshapes its facilities footprint in the wake of a consolidation, cost efficiency can be undermined by the dreaded 'disruption dip' in productivity. Here's how to keep your workplaces and laboratories on track.

By Roger Humphrey

Are mergers, acquisitions and divestitures testing your organisational mettle? Consolidation and restructuring are occurring at a record pace as life sciences companies rebuild their product pipelines, improve efficiency and seek new markets. Given that real estate and facilities represent a top expense for most life sciences companies and are a fundamental part of operations, facilities consolidations and relocations are a common part of these strategies.

The question is, how can a company minimise the dreaded 'disruption dip' of reduced productivity?

As Marie Curie once said: "The way of progress was neither swift nor easy." While operational finesse is a critical aspect of making a business strategy successful, something equally critical is often overlooked: the 'people' factor. This oversight can be costly and can even lead to the outright failure of an initiative. When you change or shutter offices, labs and production facilities, workplace morale – along with productivity – often takes a dive as employees grapple with the fear, uncertainty and chaos of corporate change initiatives.

Need to ease the pain? Implement a proactive change management programme, tailored for each group of employees who will be affected. Whether a company is changing workplace strategies or relocating its headquarters to a distant city, the loss of productivity can threaten even the smartest business moves.

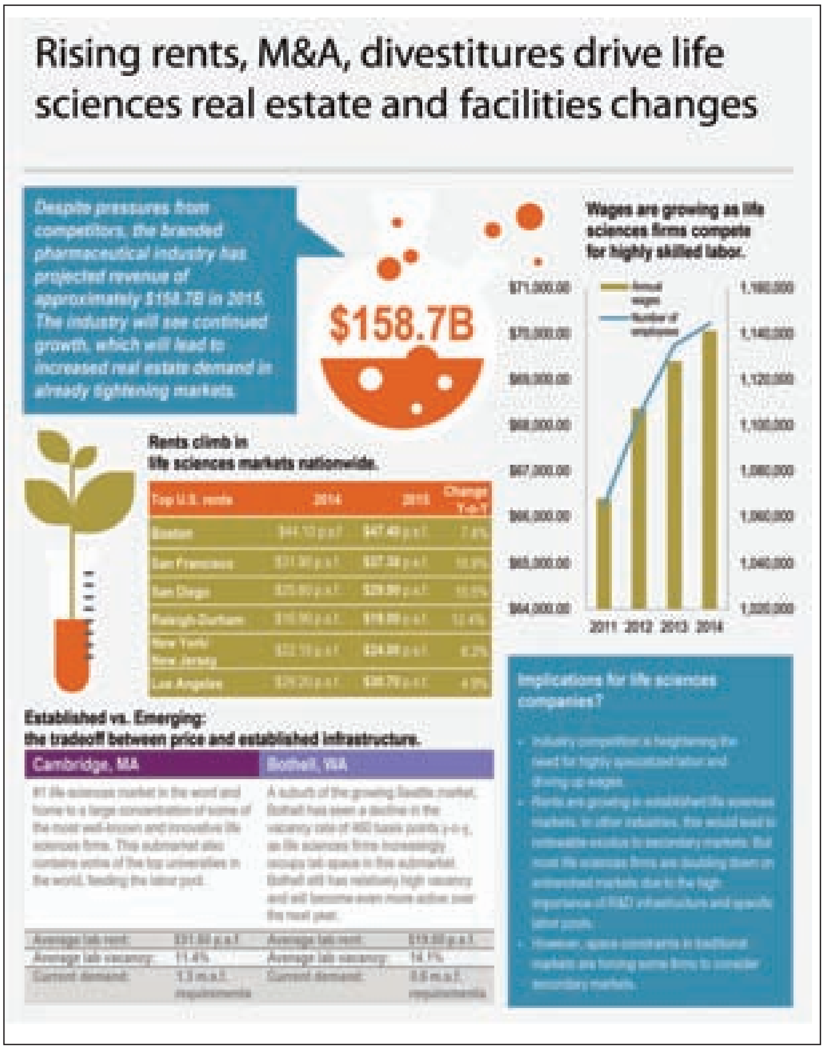
Global workplace gamechangers

Globalisation, product shifts and changing demographics are among the market gamechangers affecting how and where life sciences companies are transforming their operations, according to JLL's fourth annual Life Sciences Outlook Report (see diagram). Rising rents for laboratory space are also prompting facilities changes. These trends have led to the reshaping of corporate real estate footprints as facilities are closed, consolidated or relocated in the course of retrenchment and geographic shifts, mergers, acquisitions and divestitures.

At the same time, the need to compete with generics producers is driving branded pharmaceutical producers to invest in not only talent and technology, but also facilities that enable innovation. Some major companies are adopting new workplace strategies to reduce occupancy costs while creating inspiring collaboration environments. These two dynamics can dovetail nicely: when a company needs to change how it operates, better workspaces and workplace technology make the change a more positive experience for employees.

M&A has become a major driver of sometimes long-overdue change in the biopharmaceutical industry's global footprint. As major companies continue to consolidate, often in tandem with acquiring small biotech concerns with promising innovations, some are renovating their older facilities, or relocating altogether. These strategies help to attract and retain Millennial workers drawn to non-traditional open workplaces and live-work-play urban environments. JLL's report highlights the example of Biogen, which is appealing to Millennial workers by adopting open floorplans in some facilities and including amenities such as an onsite daycare and fitness centre to promote employee health, well-being and productivity.

And it is not just offices that are getting a makeover. Some life sciences companies are modifying their laboratories as well, providing more workspace options for teamwork and collaboration and greater access to natural light and other productivity boosters.



An industry burned out on change

For life sciences professionals, major organisational change is the new normal, but that does not make it any easier. Some life sciences organisations are undoubtedly experiencing 'change fatigue', as McKinsey puts it. In a recent thought-provoking report, McKinsey compared Organisational Health Index (OHI) results from the firm's survey of nearly 20,000 pharmaceutical employees between 2006 and 2013 with responses from workers in other industries. McKinsey's analysis revealed that the surveyed pharmaceutical companies' OHI began to deteriorate after 2011, and by 2013 had fallen below the average of other global industries in most categories.

McKinsey's conclusion? Many pharmaceutical workers could benefit from clearer, more direct guidance through organisational change. Another core finding was that companies might be placing too much emphasis on near-term business or financial goals and not enough on employee engagement through change management – the 'people' part of change.

Don't downplay the disruption dip

Whether major or relatively minor, workplace change initiatives are simply challenging in any industry. JLL research shows that just 34% of change initiatives succeed in achieving the intended goals, on average, while 15% fail outright and 51% are challenged. Half of the ones that fail do so because of employee behaviours and attitudes.

For employees, changes in business strategy bring radical uncertainty about their individual roles: do I still have a job? How will my job change? Where will I work? How will my bonus be affected? Who will be my manager? Will my commute be longer? Whether it means having a different workplace or a different boss, change means anxiety for the average person, and anxiety is both distracting and unproductive.

Lacking a strategic change management plan, many companies convey important operational change directives in pre-packaged, one-size-fits-all communications that do not address the questions and concerns of specific employees and teams. The subsequent information void creates fear, confusion and chaos, leading to the disruption dip – the loss of productivity caused by diminished employee morale during major company transitions.

Chalk it up to human nature. Whether a new business strategy involves one facilities change or many, a group of employees will be affected and concerned about the prospect. If senior management is not proactively addressing the uncertainty in terms relevant to every person involved, valuable time can be lost – and valuable talent may be lost as well, choosing to leave the company rather than wait for the smoke to clear.

When employees do not understand their role or feel ignored in the change process, their resistance means you cannot achieve your goals. It is that simple. Whether it emerges in the lab or in the C-suite, resistance to change is a natural tendency, even when the need for change is undeniable.

Five ways for managing the 'people' factor of change

The good news is that employee resistance to change is rooted in fear, uncertainty and anxiety. How is this good news? Because, unlike the patent cliff, this problem has a clear solution: A thoughtfully designed change management programme that overcomes fear, dissipates anxiety and gives employees a sense of ownership. The result, in most cases, can be new behaviours and operational excellence.

A change management programme will not eliminate the dip, but it can downsize it. A well-executed change management programme will speed acceptance of the change and reduce the risk of an extended period of poor performance during the adjustment period. The success of a new strategy or operational change is not just a matter of whether employees accept the initiative, but also how quickly. While the productivity dip is nearly inevitable following a major change, a prolonged dip can result in unexpected, unacceptable or even irreparable productivity losses and can alienate talented workers. The more time it takes to return to a stable productivity level, the higher the risk of increased costs. After all, time is money.

Conversely, the more adeptly a company manages a real estate and facilities change, the shorter and the less severe the dip will be. With the right combination of ongoing communications, tools and resources, a company can bridge communication gaps, earn ready-and-willing acceptance among its various stakeholders, minimise the disruption dip and accelerate results for maximum ROI. For high-stakes change, the investment of time and resources into person-driven change management strategy pays for itself.

The following are five time-tested methods for navigating the change process.

1. Incorporate change management into business strategic planning. The first rule of thumb in any change is to start early. Make time an asset and begin change management planning in advance of the facilities or workplace change. For a merger or acquisition, for example, that means building change management planning and resources into the transition and integration programme.

As Louis Pasteur once said: "Fortune favours the prepared mind." Strategic change management begins long before the change is actually implemented, and requires time, patience and persistence. You'll need a roadmap that anticipates the employee mindset and barriers to acceptance of the change. To reduce the risk of disruption and advance the organisation as quickly as possible, you will need carefully crafted messaging and training.

2. Make the case for change. Pre-packaged content straight from the business plan might resonate with investors, but it will not answer employee questions. Why is change necessary? The reasons may not be obvious to the rank and file. What is the value of the change? How does it benefit the company and its employees? Will it have tangible benefits for employees? Which ones?

So, build the case for change. Dig deep into the data around current operations. Use benchmarking, focus groups, surveys, employee interviews and other forms of research to show how current processes or structure do not support business goals, or to illustrate the advantages of change.

3. Make it personal, keep it real and address the rumours. Alexander Fleming said: "The unprepared mind cannot see the outstretched hand of opportunity." So it goes with achieving buy-in for change. Preparing employees begins with making it relevant to their day-to-day work experience. What will be the impact of the change? Will it benefit them? What will happen to their jobs and workplaces?

First, identify the employee groups that will be affected, and map out the impact. Then, the change team should craft unique messages relevant to each target person or group affected by the change.

Stay on top of the rumour mill. During times of change, speculation is rampant and can become destructive. Establish channels and a process for disseminating new information as soon as the facts are available, to keep rumours from undermining productivity. Even if the facts involve uncomfortable truths, such as pending layoffs resulting from a merger, having correct information is better for productivity than swirling misinformation.

Ongoing communications tools should not only convey the business value of change, but also the realistic plan for achieving it. Weekly town hall meetings, interactive training and other tactics enable employees to understand and test new processes and organisational structures. Posters, a project intranet site and videos can help reinforce the objective, timeline and information resources around the change. Sharing customised workflow playbooks and other personalised training materials can help employees adapt to, and adopt, change.

From the boardroom to the facility floor, all stakeholders should understand the reasons for change, as well as their rights, roles and accountabilities. How will the change affect daily work, as well as the long-term employee experience? With a clear understanding of what change means to them, individuals can better visualise what is expected and how they can 'own' the change process instead of being passive bystanders on whom change is inflicted. This preparation period can also help you identify prospective sources of resistance in order to overcome them.

4. Tap the change champions. Leveraging the power of an existing team or network can supercharge the efficacy of any initiative, as together you create a campaign that resonates with every employee. In a time-pressed transition period, issuing top-down basic communications is often the first resort in the name of efficiency – but it should not be the last. Instead, start with passionate sponsors who can help harness the power of their teams.

Studies show that using change evangelists to convey information can triple the acceptance rate of even hard-to-swallow changes. Provide these handpicked leaders with a specific vision, and give them the answers they want regarding the need for the change and its implications. Involve these champions in the change process, whether as team leaders or members of a steering committee or other role.

By enlisting these employees as change partners, you empower them to rally their supporters. In this way, you can help shift ownership of an idea from a single authority to each individual, with a cascading effect all the way down the organisational structure.

For inspiration, we can look to Jonas Salk. While he is recognised for developing the polio vaccine, he viewed the world as a web of collaboration: "I look upon ourselves as partners in all of this, and that each of us contributes and does what he can do best... I see not a top rung and a bottom rung – I see all this horizontally..."

As each change agent claims a more active purpose or role in developing solutions, he or she becomes more engaged in the outcomes as well as the process. Some organisations find success in involving these individuals as early in the process as possible to help develop strategy and prepare the communications and rollout plan. Others find it works well to simply invite champions to model new work behaviours during rollout.

Whichever way is best for your organisation, the key will be to map each key role according to business change. Provide them with responsibilities and accountabilities, and you will achieve the value of a shared campaign, with shared goals.

5. Measure and reward success. Buy-in is only half the battle. The other half lies in equipping employees with a sense of accountability for advancing the change. Encourage transparency and show employees how their role matters. Make it clear how you are measuring performance, whether by productivity or workplace utilisation, technology implementation or equipment use. Metrics can be used to benchmark and assess progress, revealing key performance indicators against targets.

Providing support with resources such as metrics, balanced scorecards and integrated dashboards, as well as recognition programmes, enables fluid, measurable progress toward organisational goals, and helps give employees a stake in the results. If innovation is the goal, for instance, you can monitor and share product development milestones. If collaboration is the goal, provide incentives for joint activities and track the results. If greater profitability is the goal, find a way to reward all employees for top-line gains.

In other words, persist in managing the change until it is no longer considered a 'change' at all.

Thriving through change is possible

Overlooking, ignoring or minimising the importance of managing change is one of the more common, and potentially costly, mistakes an executive can make. Rather than being an afterthought or an add-on, skilled change management minimises productivity losses and should be considered a critical success factor in major corporate facilities and workplace strategy shifts.

Change can have a ripple effect across the entire organisational culture. It can disrupt performance and inspire excuses, or it can empower the workforce and inspire innovation. By developing a change management programme that not only builds a clear path to change, but also engages individual and teams, you increase the chances

10 common change management failures

Implementing change is never simple or easy. Here are some of the most common missteps:

1 Failure to clearly identify what is wrong with the current state.
2 Failure to articulate why change is necessary/beneficial to gain adequate, long-term sponsorship.
3 Failure to create a clear picture of the desired or future state.
4 Failure to identify the targets of change and see the change from their perspective.
5 Failure to involve/engage stakeholders in developing and owning the solutions.
6 No proactive response to change resistance through thoughtful, consistent communications and training.
7 Absence of or minimal investment in rewards.
8 Failure to anchor the changes into the culture.
9 Failure to ensure alignment across culture, rewards, processes and communications.
10 Failure to acquire sufficient resources, including time investment and capabilities needed to see change through.

that even your most complex real estate and facilities initiatives will succeed. If you acknowledge the complex interdependencies among people, processes and technologies, change is no longer a test of wills or a call for excuses, but a driver of collective success. DDW

*As the global leader of JLL's Life Sciences practice as Executive Managing Director, **Roger Humphrey** guides a team of more than 2,000 professionals dedicated to developing customised outsourcing solutions for the entire real estate and facilities management lifecycle. The Life Sciences team helps pharmaceutical/biotech, medical device and other regulated companies reduce costs and boost productivity throughout their real estate portfolios, while maintaining the highest levels of safety and compliance.*