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# Energizing and humanizing public-sector transformation



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## About the authors

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Paolo Pigorini, Amir Assi, and Fatima Koaik of the Ideation Center, the leading think tank for Strategy& in the Middle East, also contributed to this publication.

**Governments in the Gulf Cooperation Council (GCC)<sup>1</sup> are launching a wave of large-scale transformations within public-sector entities to increase efficiency, improve the quality of services, and reduce the operational burden on government ministries. These efforts are comprehensive in terms of their scope and ambition. They will also require overcoming deeply ingrained mindsets and behaviors. These transformations are more likely to succeed if governments apply the principles of organizational culture change and change management.**



## CHANGE MANAGEMENT CAN ENABLE TRANSFORMATION

To grasp the scale of current changes, consider that there are more than 100 transformation programs in Saudi Arabia alone. These are part of the privatization program spearheaded by Saudi Vision 2030. These programs are planned or underway in more than 10 key economic sectors, including transport, education, health, and agriculture. Other GCC countries have similar ambitions, seeking to carve out new private or government-owned corporates that function as profit centers rather than cost centers. This shift requires an alteration in the culture and mindset of employees. These workers were once public officials with secure jobs. Now, however, they need to operate in performance-based, customer-centric environments.

Change can be stressful and difficult in any organization; according to Strategy& research, only 54 percent of major change initiatives succeed. Yet the problem may be particularly challenging in the GCC public sector, for several reasons:

- There is a widespread expectation in the GCC that the government should be responsible for the welfare and employment of nationals.
- The public-sector workforce makes up a bigger share of the overall economy. In 2022, approximately 32 percent of the Saudi national workforce has jobs in the public sector, compared with 17 percent in the U.K., 5 percent in the United States, and 4 percent in Japan.<sup>2</sup>
- The higher preference for job security in the region reduces the risk appetite among workers.
- The sheer size and number of transformations happening concurrently result in each one being harder to implement.

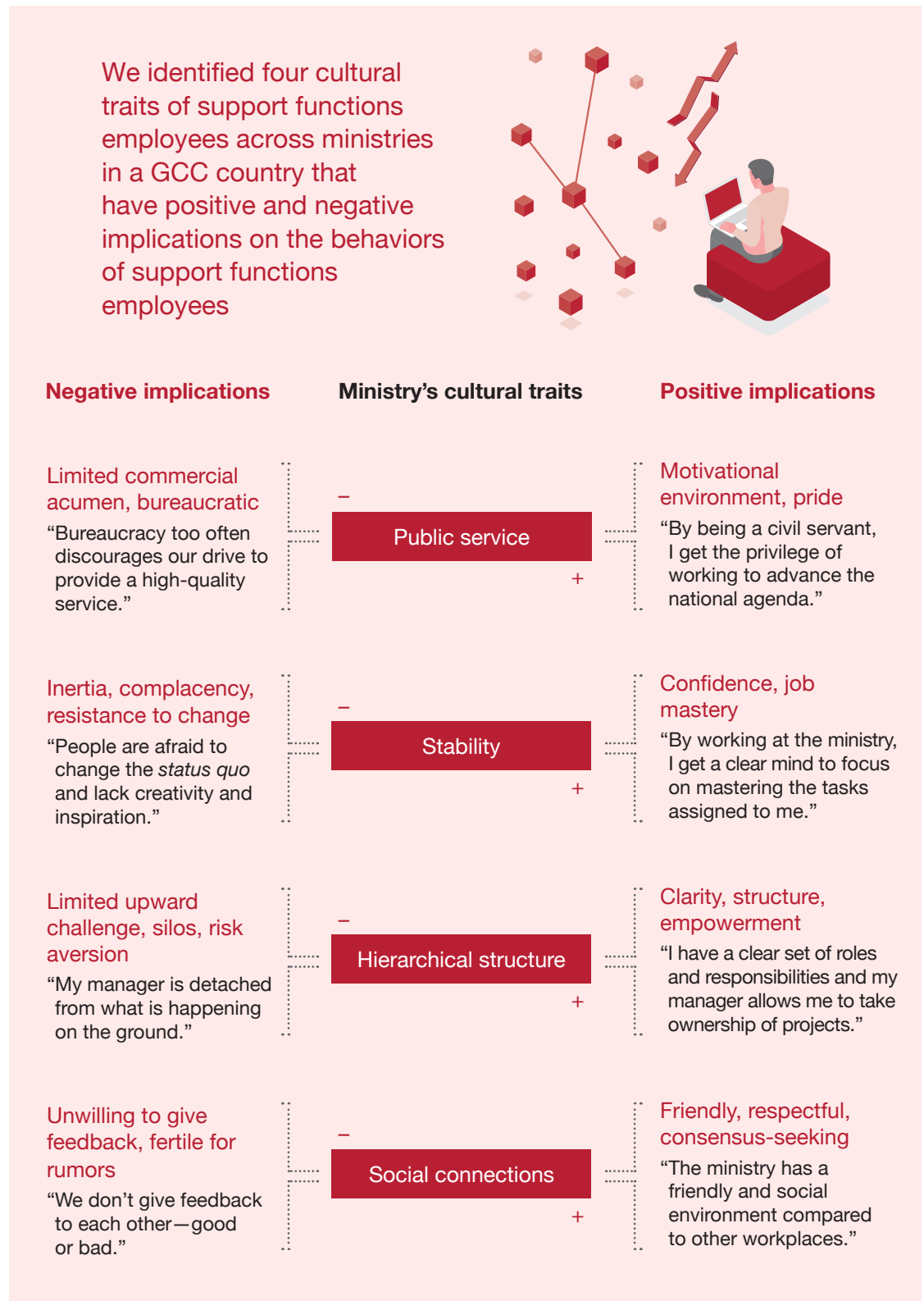
These factors raise the stakes for the transformation efforts currently underway in the region. Governments are investing billions in these programs, but if they do not succeed because of employee resistance, that money (and significant time) will have been wasted. Moreover, government services will fall short of citizen expectations, and employees will be even more skeptical of future change efforts.

Traditional change management offers potential solutions to this challenge. Transformations that apply change management approaches are more likely to achieve their objectives, keep to schedule, and stay on budget.

However, traditional change management alone is not enough. Organizations should transform their organizational culture to reorient some of the existing characteristics of the public-sector workforce in the region. Among government employees, some traits are highly entrenched, including stability, hierarchical structures, and strong social connections. These traits can imply complacency, inertia, risk aversion, and an unwillingness to challenge oneself or change. Yet the right culture change management approach can capitalize on these traits and change their implications from negative to positive (see *Exhibit 1*). GCC governments can achieve their goals of improving productivity, efficiency, innovation, and customer focus—thereby realizing their strategic aspirations and transformational agendas.

## EXHIBIT 1

### Diagnostic showing positive and negative associations of cultural traits



Source: Strategy&

## FIVE PATHS TO CULTURE TRANSFORMATION

Experience shows that organizations should follow five principles to implement their culture transformation systematically.

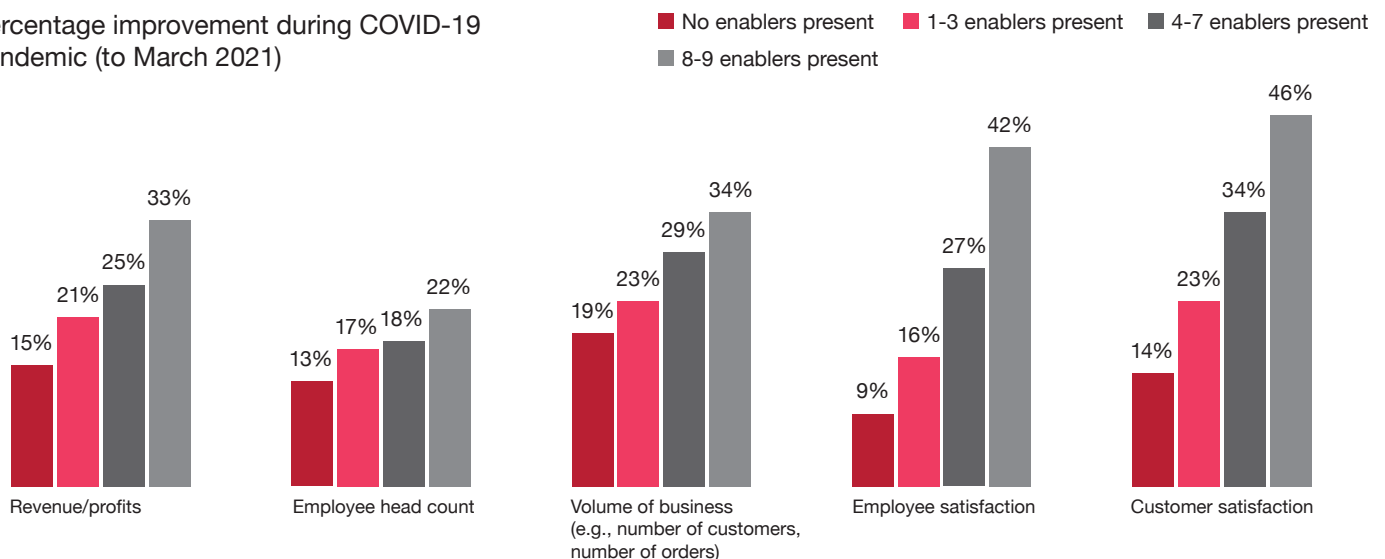
### Align the organization's culture with the broader strategic goals of the transformation

Entities that have a strong culture coherent with their strategy typically outperform their peers. The difficulty is that traditional change management plans focus on addressing resistance from individual employees that directly hinders transformation efforts. Consequently, they fail to consider the collective behaviors and mindsets of employees—that is, the organization's culture—and how the culture may adapt in response to a given change or transformation effort.

Often, resistance happens when behaviors and mindsets are misaligned with the target end state. Organizations should first identify the strategic goals behind their transformation, then understand which culture traits and behaviors support those goals, and then begin to change their culture gradually by using organizational enablers. These enablers activate desired behaviors, whether formally or informally. Our research shows that having a larger number of enablers makes change more likely because these enablers make the organizational culture more cohesive and empowered (see *Exhibit 2*).

#### EXHIBIT 2 Impact of culture enablers on performance

Percentage improvement during COVID-19 pandemic (to March 2021)



Source: PwC, Katzenbach Center, "Global Culture Survey 2021: The link between culture and competitive advantage".

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A culture-infused approach ensures that employee behaviors are aligned with the organization and transformation objectives. It also proactively addresses employee concerns and facilitates changes in behaviors to minimize resistance and improve outcome. For this reason, a culture change is always required to ensure a functional, healthy, and efficient organization following any transformation.

The process starts with a thorough diagnostic to assess the dominant culture and behaviors in an organization and compare them with the target state. A subset of critical behaviors needed to enable the change is then identified, and leaders develop mechanisms and enablers (which encourage behavior change) to spread these behaviors across the organization, with the help of change champions (see *below*).

### **Train and engage a peer-selected network of change champions**

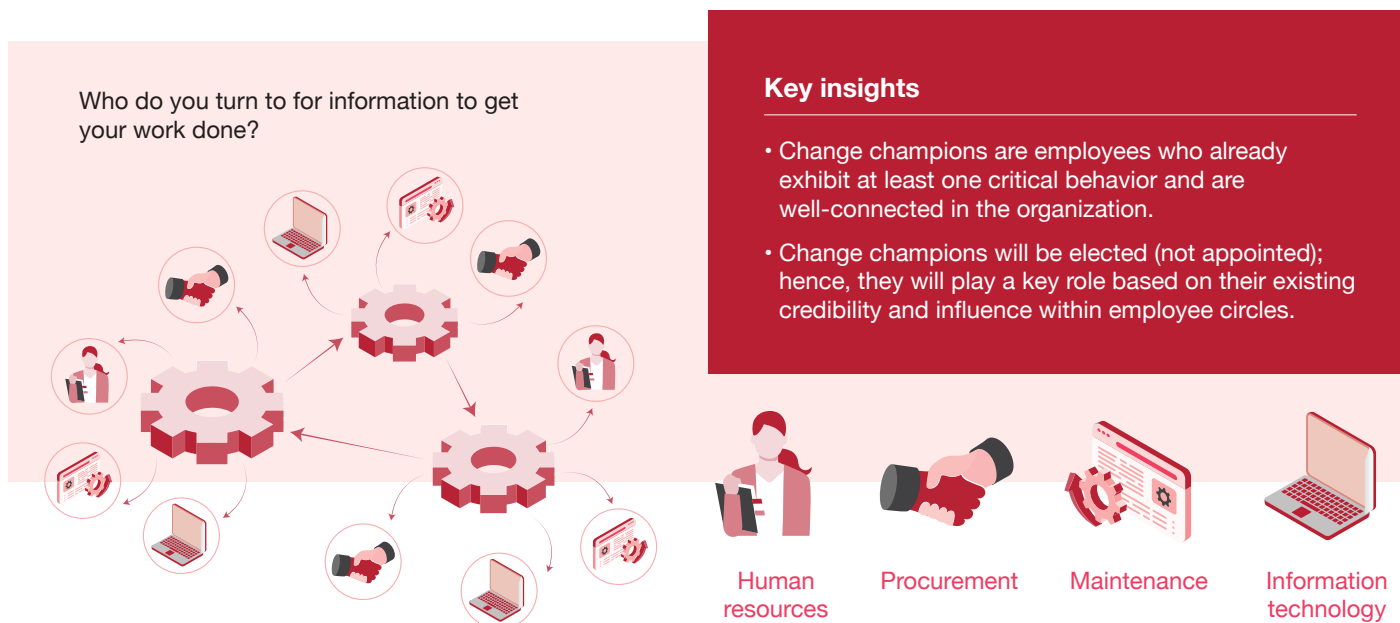
Rather than trying to mandate change from the top down, organizations can designate change champions. These are influential employees from all levels of the organization who already exhibit the critical few behaviors that we believe are vital for culture change, are enthusiastic about the changes happening, and are eager to accompany their colleagues through the journey. These change champions, embedded among their colleagues, play a key role by leveraging their influence to raise awareness, acceptance, and engagement with the change effort.

Critically, change champions should be nominated by colleagues and peers, rather than by senior leaders. Employees typically identify the colleagues they go to for information, whether formally or informally. Employees with the most mentions are compiled into a list and validated by management, who can streamline the list but not add to it. The organization then maps the connections that link those individuals to the rest of the organization through a network analysis (see *Exhibit 3*).



### EXHIBIT 3

An organization network analysis is used to identify the change champions across the organization



Source: Katzenbach Center, Strategy&

## Engage leaders

Engaging the frontline workforce is necessary but not sufficient. Culture change programs must engage leaders to signal buy-in and generate enthusiasm that affects all levels of the organization. The visible engagement of leadership is particularly important in the public sector given its hierarchical culture, in which employees may be discouraged from enacting changes that their superiors do not publicly practice. For that reason, leadership initiatives should occur in tandem with bottom-up initiatives.

Organizations can use several mechanisms to engage upper management. Executive role modeling is one such approach, providing feedback and coaching to leaders so that they adopt the right behaviors. Programs can also train leaders to communicate expectations and establish consistent cues in the workplace designed to remind, reinforce, and re-engage employees about target behaviors and mindsets. It is also important for leaders to be able to measure progress; businesses should define key performance indicators that provide a reliable gauge of progress and an early warning of problems.

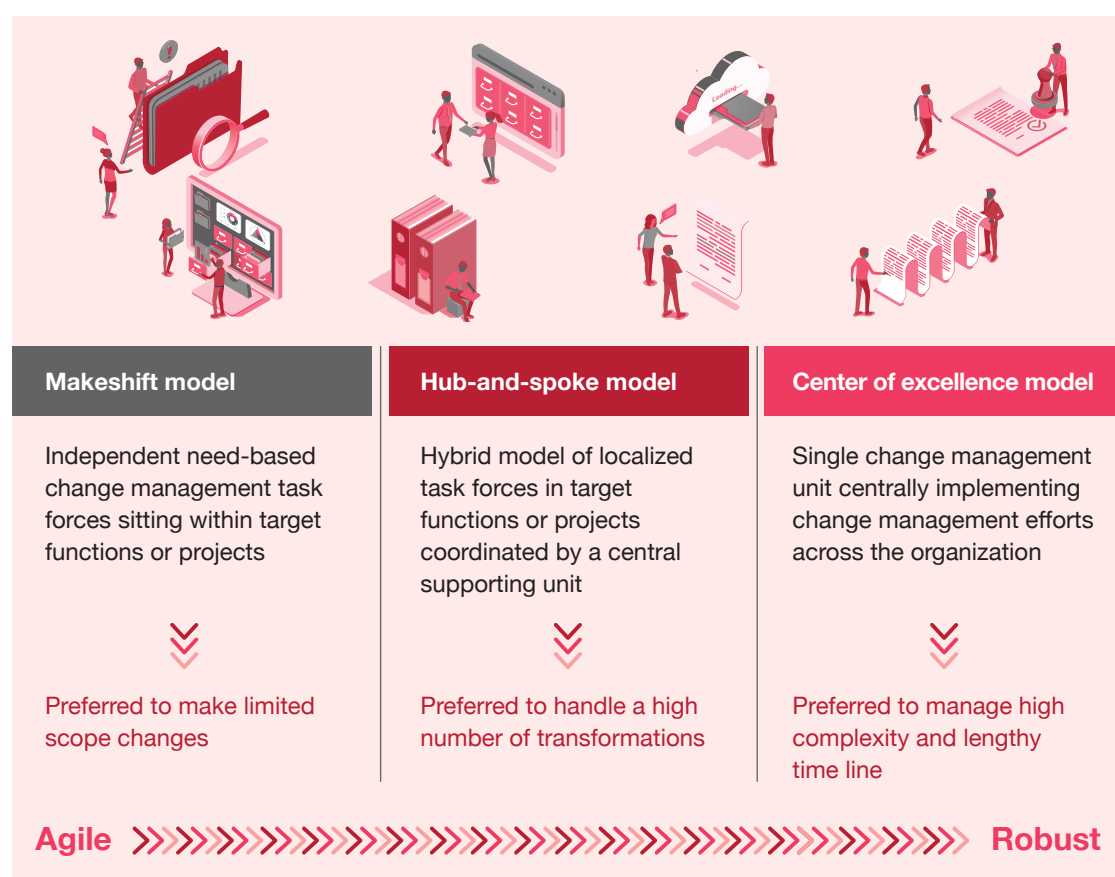
## Start early

Leaders should avoid postponing change management. Delays are understandable, but must be overcome. There are many transformations occurring simultaneously in some organizations, which means leaders are preoccupied with technical milestones. That can make change management appear to be a secondary priority linked exclusively to HR-related activities. However, any postponement to a change management program limits its success. Leaders should activate the change management effort early and in parallel with other project activities. If leaders focus from the start on change management, they can increase transparency, build trust, and rally employee support—all of which are critical to achieving the transformation.



The most effective organizational structure for change management depends on the scope, complexity, and time line of the transformation. It requires the right mix of centralization and decentralization. Organizations have several options, such as makeshift, hub and spoke, or center of excellence (see *Exhibit 4*).

### The governance structure varies depending on the needs of the transformation program



Source: Strategy&amp;

A makeshift model offers the most flexible structure for transformations that are limited in scope and time. The organization activates change management task forces temporarily at the level of the affected function or project.

A hybrid hub-and-spoke model with a light central support team is better suited for more-complex transformations, or when multiple transformations are underway at once. This model ensures standardization and coordination among local, hands-on task forces that implement change in target functions or projects.

A center of excellence model, a formal change management unit, is best suited to the large transformation initiatives common to the GCC region. Such efforts often involve an entire organization for multiple years. The center of excellence acts as the coordinating entity, building change management capabilities over time and using a dedicated team to implement them.

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## CONCLUSION

GCC governments have considerable ambitions to transform how their public-sector agencies and ministries operate. They must devote resources and attention to the human component, by applying change management and culture change principles to achieving these goals. In doing so, they can improve the odds of success in these efforts and ensure smooth implementation of their transformation programs.

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## ENDNOTES

1. The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.
2. Kingdom of Saudi Arabia, General Authority for Statistics, “Labor Force” (<https://tinyurl.com/4k6ryk4k>); Office for National Statistics, “EMP02: Public and Private Sector employment,” March 14, 2023 (<https://tinyurl.com/n9x2kyxy>); GASTAT, OECD, “Government at a Glance - 2021 Edition Public Employment” (<https://tinyurl.com/fwac7x6y>); U.S. Bureau of Labor Statistics, “Labor Force Statistics from the Current Population Survey, 2021 Annual Averages - Household Data - Tables from Employment and Earnings” (<https://tinyurl.com/2p969wpu>); Statistics Bureau of Japan, “2022 Yearly Average Results” (<https://tinyurl.com/yvsh5ads>).



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