



From Audit to Implementation

Using Change Management Principles and
the COSO Framework to Drive Strategic Change

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Every organization faces challenges in responding with sustained improvement to audit findings. Effective organizations use change management and the COSO Framework to make change stick.

Introduction

Auditors and company leaders are committed to use audit findings to improve internal controls and operational efficiency in ways that endure. Yet many initial solutions that result from internal audits do not last. Best practice organizations implement systemic improvements that help change endure and continue to benefit the organization. When that occurs, the auditor's job becomes less redundant. With effective internal controls in place, the organization's practices are easier to assess and monitor, training of employees is consistent, good habits are formed, and consequences for not adhering to an audit solution are clear and widely understood.

The role of internal auditor is evolving from a traditional, tactical focus on transactions, compliance, and policy adherence, to an expanded, more strategic role that focuses on business and process improvement, employee engagement, and shared accountability for performance results. The role is basically moving from tactical to strategic. So while auditors must continue to serve as objective assessors who advise management on corrective actions, the auditor now also has a vested interest in how organizations respond to corrective actions and whether the changes stick.

That said, sustained improvement can be difficult to achieve. In a recent McKinsey survey, only one third of organizations interviewed had achieved lasting performance improvement from a cross-organizational change initiative.¹² Most typically, the failure to sustain performance improvement lies in the fact that, although most organizations have functional expertise and knowledge of best practices, they frequently don't have change management expertise. Many failures to implement complex change result from this lack of change management understanding. These failures can perplex and overwhelm bright, capable leaders.

The secret to sustained performance improvement in response to audit findings lies in applying a combination of the COSO Framework and change management principles. Together, these elements support implementation and provide the right environment to help ensure complex, enterprise wide organizational changes stick.

This paper uses a live case study example to illustrate which change management strategies and tactics work, which approaches differentiate successful organizations, how the COSO Framework can work with change management principles to create lasting change, and what internal auditors can learn and do to make complex organization wide audit solutions last.

¹ Committee of Sponsoring Organizations of the Treadway Commission; see page 12 for additional reference.

² The McKinsey Quarterly conducted the survey in July 2008; 3,199 executives from industries and regions from around the world responded.

CASE STUDY: LARGE PUBLIC ENERGY COMPANY

Outcomes

This 18-month change effort helped a quasigovernmental public power entity achieve significant savings, dramatically reduce risk, and substantially increase customer satisfaction. Measureable results included:

- \$47 million saved (based on savings methodology approved by Chief Audit Executive).
- Purchase amounts requiring Board approval increased from \$300,000 to \$2 million, in turn reducing the number of items requiring Board approval.
- Internal customer satisfaction with key measures improved, on average, 144 percent.
- Historically poor audit findings improved dramatically, with few or no findings.
- Procurement hired 60 percent new team members with an overall increased skill set.

Situational Overview

Consider the situation of an auditor from a large public utility company. After a series of audits on the procurement organization produced dismal results, the auditor was able to identify dollars lost and high enterprise risk if company leaders did not unite behind a fundamental improvement effort.

Audit findings indicated the magnitude of change required in the Supply Management division policies, procedures, support tools and purchasing approaches used by five separate business units. An example of such findings follows:

- Contractor evaluation and selection processes were not adequately defined or documented.
- Material escalation provisions incorporated into agreements were not adequately evaluated or documented.
- Contractors did not provide adequate support for charges invoiced.
- Contractor insurance certificates did not comply with contract terms.
- Contractor invoices were not reviewed in sufficient detail to confirm compliance with contract terms, adequate support documentation, and computational accuracy.

The audit findings indicated that some business units were lax in their approach to sourcing their needs. They also showed the lack of good oversight within the business units and Supply Management. Supply Management needed to revise its operations — implement good policies and monitoring tools — to serve the organization effectively.

Based on the findings from various audits, the Executive Leadership team agreed that there was a strong need for change. They also agreed that the corrective action had to stick, particularly because the

organization was under pressure to maintain its services and lower prices at a time when the cost of providing its services was increasing. To continue to pay suppliers too much, in turn losing money, was an unacceptable threat to the business and its customers.

With strong executive endorsement, the company undertook a change initiative spanning five business units that collectively spend \$425 million annually on these products and services. The purpose of the change effort was to help the company evolve from a tactical contract-to-contract, “my business unit first” approach to one that leverages vendor relations and category knowledge across all its Supply Management activities. The goal was to implement a new strategic Supply Management that would enable:

- Strategic competitive advantage in the marketplace;
- Responsiveness to changes in company direction, market forces, or customer needs; and
- Nimble management of demand variability and supply uncertainty.

The Chief Procurement Officer

A newly hired Chief Procurement Officer (CPO) was charged with resolving the list of significant audit findings. To address the necessary improvements, the CPO emphasized the critical need to change procurement practices and to raise expectations among the managers and employees he directed. He emphasized both the challenge and the ultimate business benefits of moving from a transactional model based on business-unit silos to strategic Supply Management for the entire organization. He worked to increase interest in industry best practices and how these improvements could enhance individuals’ careers. He possessed all the “right stuff” — procurement expertise, industry knowledge and strong relationships with company leaders — to successfully implement strategic Supply Management. In spite of those skills and expertise, he faced resistance from a majority of employees on the procurement team and within the business units.

The Chief Audit Executive

The Chief Audit Executive (CAE) worked closely with the CPO and executives in this systemic improvement effort in a role that was consultative and critical. He served on the Executive Change Committee, which, over 1.5 years, monitored corrective action and systemic implementation of Supply Management Strategy on a monthly basis.

All interactions were based on a foundation of a clear direction and plan among management and the fact that the CAE was invited to hear updates. The CAE, who reported directly to the Board of Directors and administratively to the General Manager, was encouraged to provide real-time feedback on course corrections, improvements, etc. The CAE had to be careful not to prescribe the fix (management’s job), but instead to raise questions that helped the management team monitor progress and determine if course corrections remained on track to address the original deficiencies.

Involving the CAE in the strategic process and oversight of its progress helps ensure that the change management process remains on track. Accountability for changes is clear, and there is good motivation to keep moving and not let things flounder. The CAE's presence on both the management team and the Executive Change Team accelerates adoption of change, serving as an ever-present reminder that executives and other leaders cannot avoid dealing with the difficult changes. Someone will be "grading their work" on the overall effort. Unequivocally, ongoing audits will measure the overall effectiveness and enduring quality of the strategic changes that were made.

The CAE's involvement in resolving systemic audit findings should be in the spirit of proactive guidance vs. reactive critique. That is, "It is better to know my opinion of your audit response early, once you've formed an idea and are about to implement it, rather than hearing my opinion after you've implemented the change." It's a fine line for the CAE because, while he is not an approver of changes, he should reserve the right to raise objections after he sees how the ultimate changes actually occur.

Finally, the CAE should be willing to step in when necessary to question the commitment of key leaders in the business units or the effectiveness of tactics and ask, "Will these actions secure lasting change?"

Despite the strengths and commitment of the CPO and the will and support of the CAE, Executive Team and Board of Directors, problems occurred. Early attempts to implement improvements never gained traction because resistance surfaced early among both Business Unit stakeholders and Supply Management team members.

Early Resistance: Business Unit Stakeholders

Beyond the Supply Management department, most of the organization was skeptical or blatantly resisted change to the procurement process.

Early on, a power struggle emerged between Supply Management and a well-respected business unit stakeholder group — Construction Project Managers. This group was responsible for the highest level of procurement spend in the highest area of risk. Many of them were concerned about giving up autonomy and the value of their expertise in working with suppliers. Many were upset that Supply Management did not perceive them as contract experts after 10-15 years in their chosen fields. They doubted Supply Management's ability to assess vendors without knowing the suppliers' track records or understanding the technical and engineering specifications.

In fact, Supply Management historically did not have category expertise comparable to the Construction Project Managers and commonly provided uneven assessments of the suppliers' technical expertise. In turn, Supply Management had concerns about the Construction Project Managers' ability to be objective. Audits had shown that the relationships with suppliers for each of the five business units were too cozy and that the business unit stakeholders wanted to keep it that way. Thus, when contract or work disputes arose, business unit team members often sided with suppliers instead of providing a united front with their peers in Supply Management.

These individuals worked with the suppliers every day, knew their work, and were driven to complete projects on-time and on-budget with no surprises. Supply Management was seen as an impediment to project completion.

The power struggle between Supply Management and Construction Project Managers was symptomatic of the low regard the larger group of business unit stakeholders held for Supply Management. These stakeholders were not confident in Supply Management's strategic sourcing experience or ability to implement the new approach. Stakeholders complained that Supply Management was slow or nonresponsive and that processes were not stable or well documented. Policies and processes were communicated and applied inconsistently, even among managers.

As a result, internal business unit stakeholders frequently escalated purchasing issues to high-level executives for resolution. Inconsistent expectations regarding Supply Management involvement and authority resulted in weak controls and posed a challenge to implementation of uniform processes across all five Business Units.

A companywide view of Supply Management as a transactional, rather than a strategic, operation compounded the low confidence in Supply Management's ability to implement a new strategic sourcing approach. This underlying difference in understanding the Supply Management function made it difficult to agree on decision-making and purchasing authority. Managers in the Business Units wanted more purchasing authority, and Supply Management did not want to delegate that authority until processes were stable, effectively implemented, and proven.

Early Resistance: Supply Management Team

Meanwhile, resistance to the change also arose from within Supply Management. The team was battered by change. Some team members were struggling to do a competent job with the previous transactional approach and could not imagine a successful implementation of this higher-level strategic sourcing approach.

Supply Management Team members heard, "Change is coming; you need to adapt your skills," yet no one could articulate what skills team members needed to be successful in the emerging world of Supply Management.

Newer hires were skilled and supportive of the movement toward strategic Supply Management, while some longer-term employees actively resisted or mocked the ideas of their new team members. Morale was low. Unhappy business unit stakeholders often escalated conflicts that could have been resolved at a lower level. The demand for Supply Management services continued to grow, and some Supply Management team members and their capabilities could not keep pace.

In addition, the CPO had an autocratic top-down management approach that was not well-received in this quasipublic company setting, and the CPO's management team was understaffed and weak in some areas.

It became apparent that the organization was going to have difficulty implementing the process changes required and, moreover, getting the preferred changes to "stick."

Outside Help for Inside Change

Because there was little understanding of change management principles, early efforts to implement corrective action failed. The CPO, who was hired to improve performance, install internal controls, and mitigate risk from suppliers, had the functional and technical expertise but lacked the capability and capacity necessary to lead complex enterprise wide organizational change. The CAE and Executive Leadership Team decided that the CPO needed outside support to help shepherd the change management process.

The challenge the CPO faced, having functional expertise and best practice knowledge without change management capability, was common. This lack of change management understanding causes many complex change efforts to fail and can overwhelm bright and capable leaders.

External change management expertise accelerated adoption of change, given the following conditions:

- Executives exhibited consistent commitment to the stated outcomes.
- Technical expertise existed in the area in which changes was needed (in this case, the CPO had worked for the military and understood strategic supply chain management).
- Executives agreed on procedures to address conflict, power struggles or complex decisions.
- The CEO and Executive Team were accessible to prevent derailment of change effort.

External change management expertise was necessary to more assertively manage factors such as:

- A highly political process where power, authority and competence was challenged;
- "Doing battle" as needed (some employees may fear job loss or reputational damage); or
- Longstanding allegiance and alliance could undermine the change effort.

The most powerful way for leaders to activate change among people, processes, and culture is two-fold:

- A) *Create a burning business imperative* with shared understanding of associated costs, risks, and impact on business results and team member morale.
- B) *Shift the responsibility for change* from the board room and executive suite to all levels of the organization. Common sense suggests this should be easy, but it is not.

Leaders must stay well-informed on business issues and ahead of "mutiny on the bounty" opposition that threatens the change process and internal and external pressure to abandon or dilute the change effort. Leaders who create a united front, repeating, "Change is non-negotiable," while reminding employees of the market forces at work today tend to enjoy the most success.

To shift responsibility for implementation success to all levels of the organization, all people managers, project managers, and tech leads must be involved in change activities. Their individual and team performance plans also must have concrete measures to reinforce implementation success.

Implementation: Strategic Supply Management

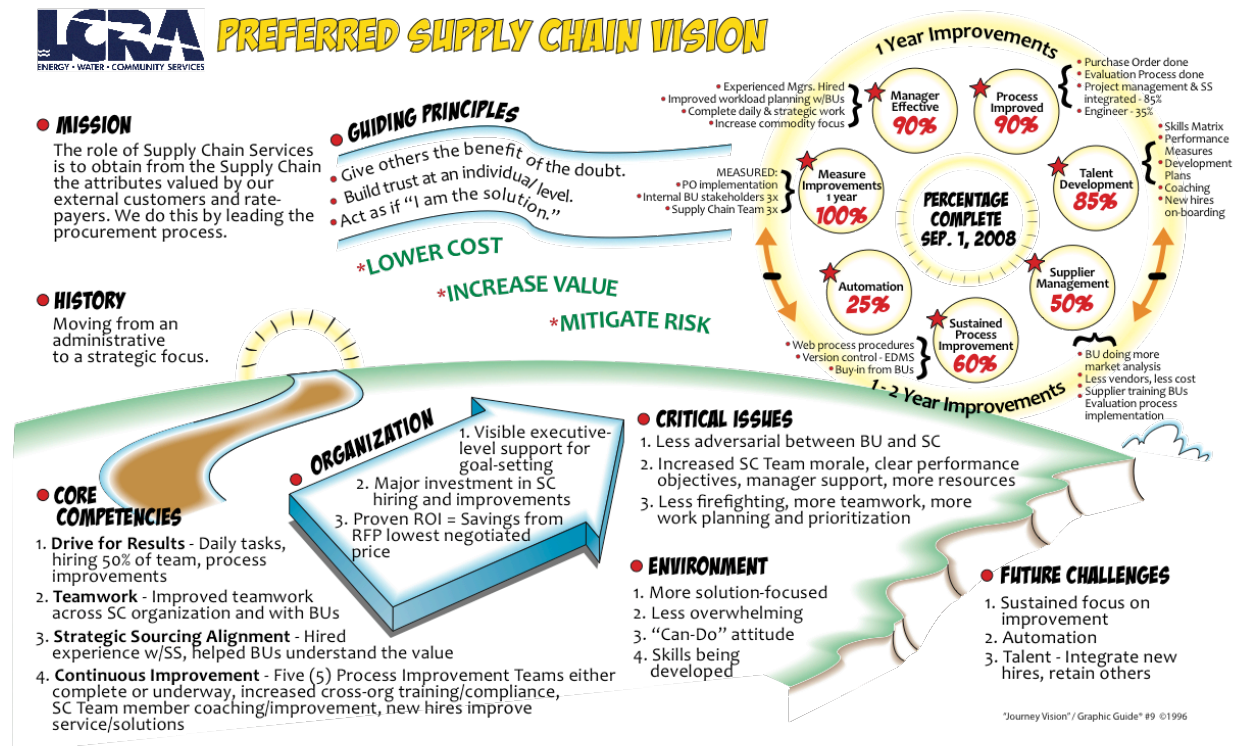
Change management experts worked directly with the executives and employees at all levels to correctly assess what was needed to implement a Strategic Supply Management approach.

Success Measures were established for the following categories:

- Process improvement across business units
- Supplier management
- Automation
- Talent acquisition and development (within Supply Management)
- Manager effectiveness (within Supply Management)
- Sustained improvement
- Measurement of improvements

A visual roadmap, which was created and disseminated throughout the organization, helped simplify communication of a complex process.

Change Management Roadmap



Change Implementation Cycle

In this case, the change management initiative involved three distinct phases:

Phase One – Assess current functioning of Supply Management organization and executive will, and define key success measures. (Months 3-6)

Phase Two – Share change vision and benefits with wider organization, create buy-in, and overcome resistance among employees. (Months 6-12)

Phase Three – Redefine procurement authority, integrate Supply Management best practices in business processes, train key leaders in this new approach, assess implementation, and measure results. (Months 6-18)

COSO Principles and Parallel Change Management Principles to Deliver Strategic Change

In working with the auditors and executive leadership, the outside consulting team used a change approach that paralleled the COSO Internal Control Framework for auditors. The Committee of Sponsoring Organizations (COSO) of the Treadway Commission is a voluntary private sector organization dedicated to providing guidance on critical aspects of organizational governance, business ethics,

internal control, risk management, fraud, and financial reporting. COSO has established a common internal control model companies can use to assess their control systems.³

Experience has confirmed that an effective change management structure often parallels the COSO Framework by using best practices to drive business results. In this case, the consulting team worked with the CAE, executives and the Chief Procurement Officer to identify five key principles that needed to be applied to achieve the desired changes. These principles contributed to success in this initiative, helping to ensure sustained leadership commitment and engaging all levels of employees who use these implementation actions.

They are as follows:

1. CHAMPION STRATEGY AND MEASUREMENT – Risk Management
2. REINFORCE ABILITY TO CHANGE – Control Environment
3. MOBILIZE INVOLVEMENT – Information and Communication
4. VALIDATE POLICY/PROCESS REDESIGN – Control Activity
5. DEMAND SUSTAINABILITY – Monitoring

1) CHAMPION STRATEGY AND MEASURES

COSO Principle: Risk Management

The executive and management team members must understand the risks underlying the applicable audit findings. They must be open to various options to respond to any deficiencies with a dynamic action plan. This action plan evolves over the implementation process. Leaders must constantly recalibrate risks associated with the change and must understand and communicate to the wider audience the risk/reward equation for any added controls.

Change Management Principle - Create a burning business imperative and reinforce change as non-negotiable. Expect leaders at all levels to reinforce how a strategic Supply Management business approach will help manage dynamic market forces, save money, lower enterprise risk, and retain employees. Use this rational, fact-based business need to drive ownership for change deep into the organization while counteracting fear and emotional response.

CAE and Leader Actions - Listen to employee concerns and filter concerns by considering typical reactions to large-scale change. Are the concerns based on fact? Do stakeholders from multiple business units or functions share this concern? If so, bring concerns to the change leaders to discuss. Do not act unilaterally. Constantly communicate that our objectives are unchanged, “We have made informed decisions to accept and mitigate the risk associated with these changes,” Emphasize your confidence in the leaders of the change management initiative.

³ www.coso.org

Bottom Line for Auditors and Leaders - After there is high confidence in the change plan, champion the change strategy and success measures. Expect quarterly reporting of improvement measures and do not make unilateral decisions for the organization or your business unit if those decisions stray from the plan.

Effective Implementation Actions - Strategic Supply Management

- Conducted an assessment of current realities, enablers, and risks to the implementation of Supply Management; involved stakeholders from all levels of the organization
- Created a visual roadmap of where Supply Management started, where it intended to be in 12-18 months, and what measures would prove results were delivered
- Identified top risk factors and revisited/managed them with company leaders and process redesign teams on a regular basis
- Involved the highest levels of leadership when the change effort was “going off the tracks”

2) REINFORCE ABILITY TO CHANGE

COSO Principle: Control environment

This COSO principle stresses that the CEO and other executives must use spoken and written words that reflect the importance of making the necessary changes. They must demonstrate — both in their “walk and talk” — that they consider the issues raised in an audit important and valued and that they expect their management team to develop a good response plan and to make it a priority. The Board, Auditor, and Executives must support building competence to carry out the strategic intent. This involves addressing gaps in current skill sets, compensation models, and recruitment and hiring practices that may slow efforts to build capacity.

Change Management Principle - Establish a constant feedback cycle between executives/change leaders and managers. The tone at the top sets the mindset of the organization, yet the endorsement of new processes, supplier management practices, and implementation happens with local management. Change leaders are continually assessing management’s operating style, delegation of authority issues, and use of processes to manage and develop people in the organization.

Auditor and Leader Actions - When using the burning business imperative for strategic change, leaders must define a shared and meaningful story of success, stretching perceptions of “what is possible,” and standing united as a leadership team when resistance surfaces. Leaders must anticipate — and manage to prevent — potential cracks in the system (e.g., “back-door” access to executives or Board members, filtering stakeholder concerns based on emotions vs. facts, customer fears, shifts in employee power, etc.).

Bottom Line for Auditors and Leaders - Endorse the change-ability of the organization as a whole and consistently show a united front that strategic change is non-negotiable. Leaders ensure individual performance expectations are embedded in performance plans and evaluated.

Effective Implementation Actions: Strategic Supply Management

Internal Company Actions

- Commitment to Right Talent/Right Attitude
 - Got the right people on board right away
 - Developed a Competency Skills Matrix to describe the “new day” realities of strategic Supply Management
 - Hired new talent with proven expertise using this matrix; also helped current employees develop skills to meet the demands of new supply chain realities
 - Embedded specific skill development expectations in performance plans
- Surfaced fears and handled struggles for power early
 - Trained all leaders/stakeholders on process redesign with an emphasis on how power has shifted and who has ultimate decision-making authority
 - Had executives personally handle recurring resistance in their operational areas
- Supplier Management
 - Confronted supplier bias, pattern of siding with supplier vs. Supply Management
 - Required supplier management training

External Actions

- Supplier Conditioning
 - Put suppliers on notice that LCRA is changing the way we do business
 - Demonstrated changes in the supplier relationship during requests for proposal and contract negotiations (reduced cozy relationships, increased difficulty to get information from known employees, demonstrated united BU and Supply Management, etc.)
 - Anticipated and responded to high-level gamesmanship by suppliers or industry associations

3) MOBILIZE INVOLVEMENT

COSO Principle: Information and Communication

The need for the various changes must be communicated to the organization, and the executive team must determine who will be responsible for pushing this communication down to the lowest levels of the organization. There should be regular means of communicating with business unit stakeholders to explain why the changes are occurring, who is responsible for what, and what success looks like. A scorecard for the various measures of success should be established, updated and distributed on a regular basis. The scorecard should be published for all key team members to see.

Change Management Principle - Make complex change easy to understand by using visual means to depict strategic or process change. Uncover employee pain points related to purchasing and link benefits to easing purchasing frustration. Utilize multiple communication vehicles to reach and seek feedback from the total employee population. Select key leaders (formal and informal) from across the organization, and involve them in quarterly training and updates. Define actions needed and expected from team members and make training and information tools accessible for consistent cross-pollination efforts.

Auditor and Leader Actions - It can be difficult to ensure dissemination of critical information down to the front lines of the organization. Leaders must insist on replicable, verifiable communication approaches from their management chain. Occasional, skip-level check-ins with first level employees will confirm a shared understanding of critical information. The CAE may observe misinformation or lack of information in pockets of the organization and can then supply the correct information or report these observations to the appropriate leader.

Bottom Line - Create and verify involvement at all levels of the organization by reinforcing consistent communication.

Effective Implementation Actions: Strategic Supply Management

- Held regular meetings and established good communication hygiene
 - Reminded audience of the burning business imperative for change; reinforced that needed change is based on market, operational, financial and compliance realities
 - Held “all manager” meetings quarterly to inform and focus on benefits of change or train on process redesign
 - Developed enterprise wide coordinating council to raise contentious issues and disseminate accurate information to teams
 - Asked business unit leaders and their direct reports to customize and disseminate a quarterly update both in-person and then via e-mail
 - Piloted process redesign training with both Supply Management and Business Unit team members and incorporated their feedback in the final training design
 - Held a Supplier Forum with the General Manager, who provided keynote speech about the changing world of Supply Management; sent a strong message: How we do business is changing

- Encouraged ad hoc communication
 - Business Unit leaders invited CPO to an all-hands meeting, even when resistance to change effort was high; CPO and business unit leaders served as a united front, soothing concerns and reinforcing the need to get on board with the change effort
 - CPO attended project manager, business unit, and power plant meetings to resolve issues and promote implementation of the new Strategic Sourcing Model

4) VALIDATE PROCESS/POLICY REDESIGN (insert Strategic Sourcing Arrow Graphic)

COSO Principle: Control Activity

Management must work to establish a reasonable policy and processes to ensure management directives are carried out. This involves a process redesign for operating procedures, control activities such as approvals and authorizations, and definition of ultimate decision-making authority. To increase the likelihood that corrective action and strategy implementation will last, management must provide meaningful training and 24/7 accessibility to new policy/processes/procedures for all end users.

Change Management Principle - Real change takes place in process/policy redesign discussions and decisions. Do not underestimate the passion of individuals who are defending historic turf or power. Do not allow individual, functional area, or business unit veracity to hijack the change process. Create interdisciplinary teams with decision-makers in attendance when defining “new day” roles and responsibilities. Always seed potential changes with stakeholders who are not in attendance.

Auditor and Leader Actions - Management must encourage “tough discussions” between competing functions to quickly resolve role/authority confusion. Executives should intervene sparingly and allow the key players to “hash out” their differences.

Bottom Line: Validate redesign efforts with resources to train all end-users and provide 24/7 availability of information. Avoid involvement in early struggles for power and simply reinforce, “We have faith that you can work out your differences.”

Effective Implementation Actions: Strategic Supply Management

- Reviewed policy and delegation/approval issues
 - What policies were creating unnecessary churn in the organization? What milestones would demonstrate new competence and resolve policy, delegation or approval issues?
 - Rigorously monitored adherence to changes in policy, approval, etc.
- Defined process redesign
 - Encouraged frank, “lively” discussions during redesign meetings
 - Defined final and ultimate authority in each new process (swim lane process maps)
 - Reassigned responsibilities or removed individuals from process change teams if they were incapable of overcoming their opposition and were stifling team progress
- Communicated changes in policy or process
 - Stood in the shoes of our users and anticipated when and what type of information would enable them to adhere to policy or process
 - Used visual tools to depict roles, responsibilities, and decision-making authority with step-by-step procedures
 - Trained key users on process changes using scenarios and innovative visual graphics to depict the responsibility at each process step (trained more than 1,200 individuals)

- Made all policies, processes, graphics available 24/7
- Identified personnel to manage and control stability of documents, process maps, etc.

5) DEMAND SUSTAINABILITY

COSO Principle: Monitoring

Management must ensure that the changes are sustained. They must be concerned with the complete implementation of newly agreed-upon policies and procedures and determine if the changes are working as intended. Management must hold team members accountable for extending gains by developing an improvement roadmap or scorecard on an annual basis. The CEO/Executive and Management Team must request and receive status updates on a regular basis.

Change Management Principle - Ensure stakeholders receive a thorough education on all critical changes. Follow up three months after a new process has been implemented to understand whether the gain in efficiencies from this process redesign are occurring as expected. Correct course as needed. Continue to measure success or failure by using surveys after the consultant is no longer involved. Create a new Vision Roadmap reporting on key measures every 12 months.

Auditor and Leader Actions - Focus on the ability to measure, correct course, and sustain changes over time. The CAE in particular must speak up when corrective action does not appear to deliver the intended results, when business unit leaders are not consistently endorsing change, and when a solution does not appear sustainable beyond the life of a specific training or consultant's contract.

Bottom Line - Demand sustainability by creating and monitoring annual roadmaps or scorecards to extend gains from the most recent change initiative.

Effective Implementation Actions: Strategic Supply Management

- Leveraged audit findings
 - Compared audits and re-audits to measure and reward performance, monitor process adherence and continually improve
 - Established a goal of 100 percent rating on all audit findings
 - Surfaced and fixed systemic issues that contributed to poor audit findings
- Received quarterly feedback
 - CPO met one-on-one with CAE and executives to take the pulse on the ongoing change effort
 - Disseminated a brief survey for business unit stakeholders to measure improvement in processes, turnaround of purchasing requests and customer service; another survey for Supply Management team members measured improvement in manager performance, competency coaching, and process stability
 - Published results of the survey results quarterly

- Stabilized processes for one year
 - Managed the influence of new team members or stakeholders who sought dramatically changes or improvements to recently redesigned processes, a step that minimized ongoing churn
 - Established a Change Prioritization Committee by spend category to evaluate and determine rationale for changes needed in the Supply Management process
 - Dedicated a resource to maintain the integrity and consistency of information on the internal Supply Management website (includes forms, process maps, policies, suppliers, etc.)

RESULTS

Outcomes of this 18-month change effort included significant dollars saved, dramatic lowering of risk, and a substantial increase in customer satisfaction. Measureable results included:

- \$47 million saved (based on savings methodology approved by Chief Audit Executive and Board).
- Purchase amounts requiring Board approval increased from \$300,000 to \$2 million, in turn reducing the number of items requiring Board approval.
- Internal customer satisfaction with key measures improved, on average, 144 percent.
- Historically poor audit findings improved dramatically, with few or no findings.
- Procurement hired 60 percent new team members with improved skills sets.
- Response from Supply Management team members on 20 effectiveness measures for managers improved, on average, 95 percent.

SUMMARY COMMENTS

Strategic success can be attributed to the sustained involvement of the CAE and the application of the COSO Framework and Change Management Principles. This combination ensured effective implementation of strategic change and corrective actions. When forces threatened to derail the change effort, these shared principles reminded leaders of why they undertook the changes in the first place — the burning business imperative.

Leaders set the tone so everyone took seriously the need for strategic change. That commitment, in turn, determines how hard people work to address the thorny issues of power, decision-making authority and implementation of new practices. The presence and forthright questioning of the CAE elevated the criticality of action, again not prescribing the fix, but drawing the management team back to ensuring progress.

Engagement of an objective change management firm helped implement change correctly. This organization now joins the rare 30 percent of organizations that achieve complex strategic change (as cited by McKinsey).

With a strong and experienced management team in place, the CPO has sustained measurable improvements in automation, process improvement, customer satisfaction, supplier management and manager effectiveness, resulting in less frustration both for end-users of the purchasing process and for the Supply Management team. Costs have been lowered, dollars saved, and risk mitigated.
