

Using Conflict Resolution for Sustained Organizational Change

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The ability to bring about sustained organizational change in the area of risk management practices is a key measure of success for any internal audit department. One way to assess whether an audit department is effective at influencing change is to track the number of repeat audit findings and the number of delayed corrective action plans. Another is to evaluate the corporate risk management culture, as well as the methods for enterprise risk management, risk event identification, assessment and response.

Getting internal clients to accept any organizational change is not easy, especially since controls typically cost money and the current economic environment stresses cost containment. In fact, influencing any type of change can be a painful process characterized by time-consuming conversations and many client objections.

Consequently, effective auditors are adept at using conflict resolution techniques to garner management support for improved internal controls and risk management practices. This article describes effective ways to deal with crucial client conversations before they become deep-seated conflicts.

How to Succeed when Implementing Change

Promoting organizational change is a risky endeavor because many changes never become more than the flavor of the month. To increase the likelihood that you can introduce and sustain organizational change, be sure that the following key elements are in place:

- *Committed and active participation of leadership, including a champion for the change initiative.* This champion should be an executive – preferably one who is well-respected and influential.
- *An organizational culture in which change is perceived as a constant, ordinary presence rather than a looming threat.* Essentially, it is easier to introduce and sustain new initiatives in a climate that truly values change as a natural means of remaining competitive.
- *Energetic involvement of a workforce that has been trained in creating and dealing with change.* Knowledge of change management is a crucial success driver in uncertain times. It is a primary example of where knowledge is power.
- *Effective communication of the vision, i.e., the desired end state and its effects on those affected by the change, including stakeholders.* When describing the change, be sure to stress how all constituencies will be affected and how they will benefit.
- *Periodic measurement and communication of results.* Maintaining momentum is critical to any successful change initiative. Without it, the initiative can sputter and eventually die. This is why clear communication that is also bi-directional is so important. People need progress reports, and they also need a way to air their concerns and questions.
- *Alignment of performance appraisal, compensation and career development with the goals and objectives of the change, i.e. – reward the cultural change.* While it is true that 'what gets measured gets done,' it is equally true that what gets rewarded gets done in abundance.

Overcoming the Obstacles to Change

Since client disagreements and objections are one of the biggest hurdles to organizational change, effective auditors need to be able to recognize and respond to crucial conversations, which are the harbinger of conflict.

Crucial conversations are ones that are risky, controversial and emotional, and they often have the following characteristics:

- *Opinions vary.* For example, the client may dispute the magnitude of a risk or audit finding.
- *Stakes are high.* Depending on the nature and extent of the findings (as well as the organizational culture), some clients may face termination, demotion or ridicule if there are major findings.
- *Emotions run strong.* Both the auditor and the client have some emotional investment (e.g., pride) in their work.

Crucial conversations can occur at any time during the audit process. Following are three conditions that indicate that a routine conversation is becoming crucial:

- *People do not feel safe.* The people with whom you are talking become silent or aggressive. Their body language changes, i.e., they become withdrawn or assertive.
- *Your own style under stress becomes evident.* Your behavior changes, which causes you to become withdrawn, detached, energized, assertive or aggressive.
- *The rule of threes.* Any of the three characteristics of crucial conversations occur.

How to Handle Crucial Conversations

Perhaps the biggest challenge when dealing with crucial conversations is to fight the tendency to replace your goals with ones that will be unproductive in the long run:

- Saving face
- Avoiding embarrassment
- Being “right”
- Punishing others
- Wanting to win
- Seeking revenge
- Wanting to remain safe

Here are actions you can take if you find yourself in a crucial conversation – and you will know it is crucial because you will feel uncomfortable:

- Begin with right motives, i.e., doing what is right for the organization
- Stay goal focused
- Avoid the “fight or flight” reaction
- Get people to feel comfortable to speak out by listening without interrupting
- Create a free exchange and sharing of meaning by restating the other person’s message
- Get all the relevant information out in the open

Ways to Clarify Goals

One way to clarify your goals is to ask yourself:

- What do I really want for myself?
- What do I really want for others?
- What do I really want for the relationship?
- How would I behave if I really wanted these results?

Some other things to mull over when clarifying your priorities and objectives:

- Clarify what you really want, e.g., I want the client to take corrective action.
- Clarify what you really do not want, e.g., I do not want to have a tense conversation that creates bad feelings and results in no change.
- Formulate a more complex problem by combining the two into an “AND” question that requires more creative and productive solutions, e.g., How can I get the client to take corrective action AND avoid a tense conversation that creates bad feelings and results in no change?
- Reaffirm mutual purpose.

Three Ways of Handling Conflict

Despite best efforts, sometimes conflict occurs. If this happens, there are three primary ways to deal with it.

Method #1: Ignoring the Situation

One way to overcome barriers is to ignore them and pretend they do not exist. This approach means that the people involved do not talk about the situation at all. As long as the issue is inconsequential, this approach is fine. However, silence can be interpreted as acceptance.

Method #2: Bargaining

Another way to overcome barriers is to bargain. Bargaining occurs whenever one person agrees to do something on the condition that the other person will do something in return. By bargaining, the people involved in the conflict hope to arrive at a solution as a result of a compromise. Bargaining is based on a quid pro quo relationship and will work until one party perceives the outcome to be unfair.

Method #3: Problem Solving

The problem-solving approach below can be used to identify and overcome the barriers in order to resolve the situation. With problem solving, the focus of the discussion is to develop reasonable options that address or resolve the source of the barriers. The problem-solving discussion is open and objective. The people involved in a problem-solving discussion talk about their goals, not their feelings.

While there are many ways to solve problems, the following seven-step problem-solving model works well:

1. Tell the person there is a problem and why the problem bothers you.
2. Let the person respond to the problem.
3. Agree on the problem, if you can.
4. Ask the person to suggest a solution.
5. You respond.
6. You negotiate until you agree.
7. Set a deadline for implementation.

The ability to introduce sustainable organizational change is an important competency – one that is directly affected by one’s ability to recognize and respond to crucial conversations. By managing these critical interpersonal exchanges and dealing with conflict effectively when it occurs, the internal audit function will be more effective, efficient and relevant at a time when the risks facing organizations are becoming more numerous and potentially costly every day.

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